

EUROPEAN NEWS

Pressure from neutral nations splits NPT talks

BY WILLIAM DUFFLORCE IN GENEVA

A RESOLUTE effort by neutral and non-aligned countries to force the U.S., the Soviet Union and Britain to negotiate a comprehensive test ban treaty has split the 90-nation conference which has been reviewing the functioning of the nuclear non-proliferation treaty (NPT) for the last three weeks.

The final plenary session of the conference is scheduled to meet late this afternoon. Yesterday a drafting committee was struggling to agree on the wording of a concluding declaration acceptable to both the nuclear-weapon powers and the non-nuclear countries.

The stumbling blocks are three resolutions tabled by Sr Alfonso Garcia Robles, the Mexican delegate, on behalf of the neutral and non-aligned countries.

One seeks agreement by the nuclear-weapon powers to negotiate a comprehensive test ban treaty banning nuclear weapons tests. A second calls for a moratorium on nuclear testing as an interim measure until a comprehensive test ban can be negotiated.

This resolution conforms with the moratorium on Soviet tests until the end of the year which Moscow announced on August 6. The third resolution aims at a "nuclear freeze" halting further production and deployment of nuclear weapons.

If no consensus is reached on the wording of a declaration, Sr Garcia Robles wants votes taken on his resolutions at the final plenary session. He would certainly win the backing of the majority of the delegations.

The core of the dispute is article VI of the 1970 treaty under which the signatories undertook to negotiate a halt to the nuclear arms race and a treaty on nuclear disarmament.

Most of the 130 signatories feel strongly that their renunciation of nuclear weapons under the NPT has not been matched by action from the nuclear powers towards disarmament.

The U.S. and its allies argue that priority should go to negotiating a reduction in the number of weapons at the nuclear arms control talks between the U.S. and the Soviet Union which resumed here yesterday.

Washington and London also dispute that adequate verification measures exist to make a comprehensive test ban effective.

A similar disagreement over implementation of article VI prevented a common declaration being issued at the end of the second NPT review conference.

Other controversial resolutions before the drafting committee yesterday were one by the African nations calling for a halt to trade with South Africa and one from Iraq calling for an end to its aerial attack on an Iraqi nuclear reactor in 1981.

Neither South Africa nor Israel has signed the NPT and both are believed to have the capability to make nuclear weapons.

Spain expected to stay in Nato after Cocom decision

BY TOM BURNS IN MADRID

THE Spanish Government's decision to join Cocom, which groups Nato member states and Japan to monitor military exports, is viewed as an implicit rejection of any future withdrawal from the Western alliance.

The decision, taken at a Cabinet meeting on Wednesday, had been a contentious issue for the Government. Cocom membership had been opposed by Sr Fernando Moran, the former Foreign Minister who was dropped from the Cabinet last July on the grounds that he could not proceed a planned referendum on the question of Spain's continued presence in Nato.

Although the Government still plans to stage the Nato summit in Madrid, the decision is seen as a clear indicator that the possibility of withdrawal has been discounted by Socialist Prime Minister Sr Felipe Gonzalez.

Spain's refusal to join Cocom during Sr Moran's tenure at Foreign Ministry put in jeopardy a \$200m (£149m) microchip-producing venture planned by American Telephone and Telegraph.

Washington withheld approval on such investments because it was not satisfied there were sufficient controls in Spain to prevent the re-export of sensitive "dual use" technology.

Ireland chooses satellite from Hughes for DBS

BY OUR DUBLIN CORRESPONDENT

THE Irish Government has chosen a satellite designed by Hughes Communications of the U.S., to supply the direct broadcast system (DBS) programme from the satellite will be receivable in the whole of the British Isles and parts of Northern Europe.

The choice of Atlantic Satellites consortium was somewhat of a surprise since a rival group Westsat, which included the Irish Broadcasting Service, RTE and Allied Irish Banks, had been favoured.

In the event the Irish Government appears to have been worried at the possible losses which might be incurred by RTE if the project became a commercial failure, the public cost for the satellite, which is due to be operational in three and a half years, could be £100m (£80m). Atlantic Satellites is headed by Mr James Stafford, an Irish businessman. The experience of Hughes Communications in the manufacture of satellites appears to have swung the decision in its favour.

The Irish market could not support a DBS system on its own but the potential audience is estimated at almost 100m people. Mr Stafford has not made clear where he will acquire programming for the satellite but it is likely that RTE and some independent Irish producers will be involved. However, the bulk of the programme is likely to be bought in from the U.S.

Austrian rivals sacked from party posts

By Patrick Blum in Vienna

TWO former Austrian finance ministers including the present head of the country's largest bank were suspended from holding positions in the ruling Socialist Party yesterday following a row which has seriously undermined party unity and morale.

A special meeting of the party's executive committee chaired by Dr Fred Sinowatz, the party leader and Chancellor, decided yesterday to suspend Dr Hannes Androsch, a former finance minister under Dr Bruno Kreisky and head of the Creditanstalt Bankverein, and Dr Herbert Salcher, finance minister until a government reshuffle in September last year, from all their party positions for the next five months. Both men retain their party membership.

For about two years Dr Androsch and Dr Salcher have been trading public insults following allegations of tax irregularities against Dr Androsch by supporters of Dr Salcher. Dr Androsch has always denied the charges and in July last year a special inquiry cleared him of the allegations.

Dr Salcher, however, denied his attacks against Dr Androsch who is now once again under investigation in connection with the purchase of his villa in an exclusive Vienna suburb.

The dispute has clear political overtones. Dr Androsch was brought to prominence by Dr Kreisky and was regarded as potential heir and future leader for the party. But the two men fell out over Dr Androsch's refusal to end his consultancy company while he was finance minister. In 1980 Dr Androsch was replaced by Dr Salcher.

Dr Androsch is deputy chairman of the Socialist Party in Floridsdorf, a Vienna working class district, and has broad support on the right of the party while Dr Salcher, a member of the party's federal executive and deputy chairman for the Fiol, draws his support from the party's left.

The row between the two men which at times appeared to turn into a public vendetta escalated recently when Dr Salcher decided to take Dr Androsch to court for defamation. Dr Androsch had said that "a mad idea to finish me off."

Chancellor Sinowatz has grown increasingly impatient with the affair which has paralysed the Socialist Party's work.

Bonn backs U.S. position on SDI

WEST GERMANY yesterday welcomed the resumption of U.S.-Soviet arms talks in Geneva and backed President Reagan's refusal to halt research on the Star Wars space-based defence system.

Reuter reports from Munich, the deputy defence minister, said Bonn favoured the inclusion of space defence systems in the negotiations but the West must bear in mind that Moscow was already heavily involved in this field.

"As long as the military challenges posed by the Soviets are still on the increase, we have an alternative to keeping pace," he told a conference of the seven-nation Western European Union (WEU) defence pact in Munich.



Rudi Lubbers... trying a softer approach

Commission attacks budget cuts

BY QUENTIN PEEL IN BRUSSELS

BUDGET cuts ordered by the EEC Council of Ministers for 1986 would reduce by half, or some Ecu 700m (£400m), the money available for Spain and Portugal in their first year of Community membership, the European Commission warned yesterday.

Mr Henning Christophersen, the Budget Commissioner and former Danish Finance Minister, launched a strong attack on the present member states for agreeing to cuts which would, he said, make the new members substantial net contributors to the budget.

The exercise could result in a dangerous political backlash in Spain and Portugal, which had been led to expect a neutral financial outcome to their first years of membership, he said.

Mr Christophersen said the Budget Ministers' negotiations in Luxembourg on Tuesday and Wednesday, lasting almost 19 hours, had resulted in "more a book-keeping exercise than a real budget." He described the outcome as "quite unsatisfactory" and "difficult to understand."

The main cuts agreed by the Ministers fell on the social and regional funds—designed to finance schemes to combat unemployment and revive economically depressed regions. Other targets were the agricultural "guidance" fund, which provides cash for retraining farmers and other measures to modernise EEC farming.

A key aim of the Budget Ministers was to prevent the European Parliament—the other arm of the EEC budgetary process—from adding too large a margin of extra spending to the Ecu 32bn draft.

However, Mr Christophersen warned that they had cut so much at their first reading, it would be impossible to put back enough money for Spain and Portugal.

The new member states are expected to contribute some Ecu 3.3bn to EEC finances. The Commission's estimates were intended to give them an equivalent amount back in the form of a budget rebate—87 per cent of their VAT contributions—and Community spending, totalling some Ecu 1.4bn.

Paris signs co-operation agreement with Argentina

BY PAUL BETTS IN PARIS

FRANCE signed a broad economic, industrial and financial co-operation agreement yesterday with Argentina during the second day of the French state visit of President Raul Alfonsín.

The agreement was signed by the Argentine leader and M Laurent Fabius, the French Prime Minister, and involved a declaration to co-operate in economic, industrial and financial fields. It will serve as a framework for more concrete agreements in economic co-operation.

A Franco-Argentine mixed commission will work on this agreement next year. President Alfonsín also held talks yesterday with M Georges Besse, chairman of the French state Renault car group, which is the leading car manufacturer in Argentina.

In spite of the current overcapacity of the Argentine car market, Renault has committed itself to continue the modernisation of its plant at Cordoba.

President Alfonsín also had discussions yesterday with a group of leading international leaders in Paris.

The Argentine leader attacked high interest rates and protectionism in world trade which have had a severe impact on the competitiveness of Latin American countries.

President Mitterrand told Sr Alfonsín that he would support all initiatives which could help bring about a negotiated solution between Argentina and London over the Falkland Islands.

Polish economist attacks plans for steel industry

BY CHRISTOPHER BOBINSKI IN WARSAW

ONE OF Poland's best known economists, Professor Jan Muzaj, has charged that the Steel Ministry plans to centralise decision-making throughout the industry are aimed at undermining the country's economic reform.

The ministry's plans are being resisted by a handful of elected workers' co-management councils including the one at the Warsaw Steel Works which voted unanimously on Wednesday against the scheme.

The Steel Ministry is planning to establish an "iron and steel community" which would in effect merge about 60 steel mills and related companies effectively widening out company independence which is a crucial element of the reform in the steel industry.

By law, the workers' councils which came into being as part of the reforms, are required to approve any changes in company status. Prof Muzaj has warned that the "community" once established will wield enormous power in its relations with consumers and suppliers as well as the Government as a whole.

Prof Muzaj argues that the "communities" monopolistic structure would favour continuing high costs and low quality, while its political muscle would permit it to force the Government to cover resulting losses.

Turkey's economy 'impresses' IMF

BY DAVID BARCHARD IN ANKARA

TURKEY will announce a detailed monetary programme in the next few months, a Central Bank official said yesterday.

He was speaking as the third round of talks this year between Turkey and the International Monetary Fund (IMF) ended in a low-key but friendly fashion. Outside observers said the fund would depart this weekend relatively impressed by what it had seen.

The Central Bank official said the IMF had been happy with Turkey's economic performance so far in 1985. However, it had raised some technical questions about the decline in the velocity of the money supply and expressed anxiety about possible excess liquidity.

"The fund warned the Central Bank to be cautious in reducing its assets and we said we would," he added.

Turkey is anxious to show it is listening to IMF advice over such matters as the budget deficit, thought to be the major source of inflation, which is still running at more than 40 per cent.

In spite of opposition scepticism, the Government expects the budget deficit to be well down this year—around 2 per cent of GNP, compared to just under 5 per cent in 1984.

French bank cuts money market intervention rate

BY OUR PARIS STAFF

The Banque de France lowered its money market intervention rate yesterday by a quarter percentage point to 8 1/4 per cent from 8 3/4 per cent in what is generally seen as a signal to French commercial banks to lower their base lending rates.

The latest cut in the Banque de France intervention rate reflects the Government's overall efforts to bring down domestic interest rates to help stimulate the economy and take advantage of disinflation.

M Pierre Bergey, the Finance and Economy Minister, again called for a lowering of interest rates during the presentation of the Government's 1986 budget on Wednesday. The Banque de France intervention rate had stood at 8 3/4 per cent since last July.

Although the commercial banks are now expected to follow the lead given by the Banque de France, they have been reluctant to lower their rates claiming that the introduction of commercial paper and other reforms of the domestic financial markets have cut into their margins.

The lowering of the central bank intervention rate follows good news from the August trade and trade figures. The trade balance showed a slim surplus of FF4.4m (£2.17m) last month while retail prices rose by only 0.1 per cent. At the same time, the French franc has continued to perform satisfactorily on foreign exchange markets.

Soviet oil production falls as gas output rises by 10%

BY PATRICK COCKBURN IN MOSCOW

SOVIET oil production was 4 per cent down in the first eight months of the year but gas output was up by 10 per cent compared to the same period in 1984, according to the weekly economic gazette.

For the first time since the beginning of 1982, the Soviet Union published no figures for overall industrial production and productivity last month. This implies the figures were bad.

Oil production at 396m tons shows that the lag in production, originally explained by bad weather at the start of the year, is continuing. There is also no sign of an increase in oil exports to make up for the lost earnings in the winter.

The position of the oil industry is of continuing concern to the Politburo, particularly in Tyumen province in West Siberia.

During a visit to Tyumen earlier this month, Mr Mikhail Gorbachev, the Soviet leader, said he "was staggered to see how much has been done in the oil industry in Tyumen province up to now on the principle 'we'll muddle through some how' but we are not muddling through."

The coal industry, on the other hand, has started to perform somewhat better. Up to the end of August, 494m tons were mined, a 1 per cent increase on the same period in 1984.

Greece 'must reduce size of merchant fleet'

ATHENS—Greece must reduce the size of its merchant fleet, the EEC's largest, because of a worldwide shipping tonnage excess, EEC Transportation experts said yesterday.

"Greece must give up a little excess capacity, given a 30 to 35 per cent world excess," Mr Constantinos Bos, chairman of an EEC study group on maritime transportation policy, said at the end of a two day meeting here.

A total of 334 Greek-owned ships, about 40 per cent of total Greek-registered tonnage, are laid up off Athens' port of Piraeus in the longest running crisis ever to affect Greek shipping.

"The Greek fleet has come down from 38.8m tons to 32m tons, and must now find a level of tonnage that will be profitable. That may be 23, 28 or 30 million tons," he said.

The study group will make recommendations for EEC ministers to take decisions on maritime transportation policy by the end of the year, Mr Bos said.

He said American and other foreign banks have loaned \$2bn to Greek shippers.

"Now the big banks are losing money. It's difficult for shipowners to exploit these ships because they have to make payments to the banks," Mr Bos said.

According to Piraeus shipping sources, banks have already lost more than \$300m on bad loans to Greek shipping companies.

Brandt ends Honecker boycott

By Leslie Collett in East Berlin

ELEVEN YEARS after former German Chancellor Willy Brandt's aide Herr Guenther Guillaume was exposed as an East German spy, Herr Brandt yesterday shook hands for the first time with East Germany's leader Herr Erich Honecker.

Herr Brandt, as chairman of the opposition Social Democratic Party (SPD), had refused until now to pay an official visit to East Germany. He held Herr Honecker ultimately responsible for planting the agent and thus for his own resignation as Chancellor.

The meeting in East Berlin illustrated how relative espionage is in a country torn between the two great blocs. As Herr Honecker shook hands with Herr Brandt, behind the scenes a "hearty welcome" from Bonn Government was reaching from the discovery that a secretary in Chancellor Helmut Kohl's office had fled to East Germany who had been spying for the West.

The latest incident came after the defection to East Berlin last month of a top counter-espionage official, Herr Hans-Joachim Tiedge.

Brandt's aide Herr Guenther Guillaume, who now lives in a villa outside East Berlin after serving six years of a 12-year sentence in the West before he was released in an East-West spy exchange.

In a gesture normally reserved for heads of state, Herr Honecker greeted his guest at the entrance to the Council of State building on Herr Engels Platz. The two men discussed questions of European security including the deployment of new missiles in East and West Germany over which both the SPD and East Germany have expressed their concern.

Herr Brandt, whose Ostpolitik in the early 1970s led to the establishment of official relations between East Berlin and Bonn, is believed to have urged the East German leader to permit more East Germans to visit West Germany.

On his arrival on Wednesday, Herr Brandt was taken on a tour of the Museum for German History on Unter den Linden Boulevard. He was shown an issue of the Communist Party newspaper Red Flag of 1936 which contained Herr Brandt's signature under an appeal for "United Workers' Party" and other left-wing parties against Hitler. On leaving the exhibit, Herr Brandt wrote in the guest book: "German history—it does exist."

Greeks protest to USSR over spy arrests

By Andriana Ierodiconou in Athens

THE GREEK Government has protested to the Soviet Union following the arrest in Athens this week of two electronic engineers and naval officers charged with spying for Moscow, but says it does not expect bilateral relations to be affected by the espionage case.

A Greek Government official said yesterday that the protest was made by Mr George Vardoulakis, the director of the Eastern European desk at the Foreign Ministry, to Mr Vladimir Pushkin, the chargé d'affaires of the Soviet Embassy in Athens on Wednesday.

The government announced on the same evening that three Greeks had been arrested as suspected Soviet spies—two computer engineers employed in the private sector and a navy lieutenant commander who had been serving in the records department of the Naval command until the middle of last month.

The Government has not disclosed whether, as has been widely speculated, the arrests are linked to information of Soviet espionage activity in Greece, reported by Mr Sergei Bokhan, a first secretary at the Soviet embassy in Athens who defected to the U.S. on May 30.

The Pentagon is delaying the approval of an export license for the sale of 40 F16 fighter aircraft to Greece, reportedly due to concern aroused by Mr Bokhan's revelations regarding the transfer of military technology to the Soviet Union.

A team of U.S. officials is expected in Athens later this month to examine the issue with the Greek Government, with a view to signing an agreement to safeguard the security of military technology.

Laura Raun in Amsterdam assesses opposition to Prime Minister Lubbers' fragile administration

Budget boosts Dutch coalition's flagging political fortunes

THE Dutch Christian-Democratic-Liberal coalition has raised its chances of continuing in office after new year's election following presentation this week of its 1986 budget.

It is an appealing budget which, in the event of deep austerity programmes could well convince voters that their painful sacrifices have been worthwhile.

Mr Rudi Lubbers, the Prime Minister, smilingly conceded that the softer budget was aimed at recapturing the public support lost to the opposition Labour Party since the last election. But he emphasised that the improved health of public finances and the economy provides safe room for relaxation of the retrenchment that has marked his administration.

Government spending is to be cut by Fl 8bn and the budget deficit to be shrunk by a modest 0.5 percentage point to 7.8 per cent of the national income.

Next year, the mildest reductions of the administration's four-year term. The welfare system, public employees and ministry budgets again will come under the knife.

But more important for the May 1986 elections, taxpayers are to see their disposable incomes climb as much as 2 1/2 per cent because of trimmed social-security contributions and falling inflation, the highest since 1974.

Mr Bert de Vries, the parliamentary leader of the Christian Democrats, summed up his recent interview. "We think it will be clear by the end of this term in office that, in many respects, our economic position is a good opportunity to explain why we took the measures and to convince the people that it was worthwhile."

Recent opinion polls have shown that centrist Christian Democrats recovering from a nadir some months ago. According to a poll, their weakness is with their coalition partners, the right-of-centre Liberals, whose seat losses are projected at nine.

Labour would gain 11 seats compared with the last elections in 1982. While that would keep the socialists as the largest group, their strength has ebbed from several months ago.

The Christian Democrats have several trumps in their campaign hand, not the least of which is Mr Lubbers, who virtually is certain to head his party's candidates list, which will be determined at a party gathering on October 25-26.

The party's survey and popular politician, Mr Lubbers has been able to rule as the head of an austerity-minded Government and yet deflect much of the fall out from himself. The former businessman has also deftly played off one political group against another and is considered adept at media politics.

The Dutch Opposition Labour Party scored the best in the first provincial election held in the new province of Friesland, a pollster said yesterday.

The Labourites won 34 per cent of the vote on Wednesday's election to choose a 39 member provincial council at a modest gain over the 30 per cent in the last parliamentary elections in Friesland in 1982.

The Christian Democrats, the senior partners in the governing coalition, followed in second place with 25 per cent of the vote, the same share as three years ago.

The right-of-centre Liberals, the junior coalition partners, slumped to 17 per cent, from 23 per cent. The provincial vote closely mirrored the national trends seen in recent public opinion polls, although all three major parties fell slightly below their showings in the polls.

The main reason is that the small left and right-wing parties garnered more votes including the controversial extreme nationalist Central Party.

Commenting on the election results, Mr Max van den Berg, the Labour Party chairman, said the voting showed that the May 1986 general election would be a "neck and neck race" between his party and the coalition partners, primarily the Christian Democrats.

Government spending cuts of Fl 11bn would be only one-third of those during this cabinet's tenure, the budget deficit would be further cut to 5.1 per cent of GNP by 1990. Persistently high unemployment, now running at about 16 per cent, would be battled through work-time shortening and job sharing.

The junior coalition partners, the Liberals have been troubled by the controversies that have swirled around Mr Gijs van Aardenne, the Liberal Economics Minister, and Mr Ed Nijpels, the young brass party leader. Mr van Aardenne has survived two censure motions in the past year centring on his role in the collapse of Rijks-Scheepvaart, the state-owned shipbuilder, and his role in attempting to hasten a public-hearing process for two new nuclear plants.

In 1983 Mr Nijpels was credited with ushering in a new era of "personality politics" after having drawn an unprecedented number of young, liberal collar voters into the Liberal ranks with his "can-do" message and candid style. Many party old-liners, however, have been affronted by his breezy manner, with one col-

league dubbing Mr Nijpels a "young pup."

Despite weakness in the polls, the 35-year-old parliamentary floor leader is confident of continued support from the young (under 35) voters who categorised his party to record gains in 1982.

Whether Mr Nijpels' name again will top the Liberal ticket is less certain. When party members gather tomorrow, the young lawyer is expected to encounter opposition.

The liberals want to accelerate initiatives begun this term. The role of central government would be rolled back further with much deeper spending cuts urged than by the Christian Democrats or Labourites. Privatisation of state holdings, would be speeded.

The most attractive proposal may be that which promises greater income differences between the lower income groups and the highest. The upper middle-income people make on average only Fl29 a day more than the lowest income. The Liberals want to widen that gap by trimming the onerous taxes and social security contributions by 1 per cent of GNP a year.

Meanwhile, Labour already is pondering its own coalition options, which is not in doubt is that some kind of coalition must be formed as every post-war government has been for-

med of two or more of the 22 political parties.

The Labourites already have ruled out alliance with small leftist parties, thus leaving the Christian Democrats as the only realistic choice. But party members of a 1982 coalition divorce linger, and diametrically opposed positions on nuclear missiles remain an obstacle.

Labour adamantly opposes the siting of the U.S. Cruise and Pershing-2 missiles on Dutch soil, which is likely to be approved by parliament in November. The Christian Democrats seem grudgingly resigned to the missiles because of the 1979 Nato Pact assigning them to Holland. However, the two parties will find it politically possible to negotiate after the parliamentary vote and general elections.

The Labour Party's posture is based on a toned-down platform and the choice of Mr Joop den Uyl to head the election ticket. The 66-year-old former Prime Minister will lead his party for the seventh time.

The Labour programme generally would loosen the budget deficit between 1987 and 1990 and the wealthy would be subjected to even higher taxes.

But Labour is also calling for a Fl 30n government investment programme to buoy the private sector. "We must talk to the employers. We can't make it with the unions alone," one party official explained.

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Nigerians reluctant to take IMF's bitter remedy

"Down with IMF loan" ... Banker says resist IMF pressure. Students say no to IMF loan. Nigeria's sovereignty at risk. THE HEADLINES in Nigeria's vociferous Press in the weeks since Maj-Gen Ibrahim Babangida took power in an August 27 coup and pledged to break 24 years of deadlock in negotiations with the International Monetary Fund (IMF) leave little doubt as to where most Nigerians stand on this vexed issue.

From Lagos's teeming markets to its plush executive suites, mention of the IMF's reported demands for a large devaluation of the naira, the abolition of domestic petroleum subsidies, and the liberalisation of trade, rouses high passions. Viewed by some as a neo-imperialist monster, and by many more as an unsympathetic schoolmaster, most people clearly oppose the IMF and its prescription for economic recovery.

The Babangida Government has sent strong signals from the beginning, however, that it favours the conclusion of a Fund programme which would open the door to several billion dollars in new aid and commercial funds and guarantee relief from debt service payments. These new consumers are enjoying 44 per cent of export earnings. Dependence on crude oil for

95 per cent of export earnings, the economy has been hard hit by falling oil prices and production since the early 1980s and by the bunching of repayments due on loans contracted five or six years earlier. Capital projects have been drastically cut as a result. Imports have been slashed, and major redundancies have resulted as import-dependent industries have shut down. Government officials concede that the new regime faces a major public relations battle to overcome 20 months of anti-IMF rhetoric from the regime of ousted head of state Maj-Gen Muhammadu Buhari, and that of civilian President Shehu Shagari before him. It will not be helped by the strongly negative image of the Fund on a continent where it can point to few clear-cut successes for its adjustment policies. The battle could have serious implications for the regime's stability, but so far, the Government's publicity campaign on the issue appears to have barely got off the ground.

The campaign was launched with the new President's maiden speech to the nation on the day of the coup. The speech pledged a new initiative on blocked negotiations with the Fund, and a wording reflected careful drafting by officials conversant with the

Lagos faces a tough battle to win support for the reopening of talks with the Fund. Patti Waldmeir reports

politics and language of the international financial institutions. "Austerity without structural adjustment is not the solution to our economic predicament," Gen Babangida said.

The Government's side in the debate will have been strengthened by the appointment as Finance Minister 10 days ago of former World Bank economist Dr Kalu Kalu, considered one of the Fund's most ardent apologists in Nigeria. The creation of a high-powered committee of Nigerian businessmen, bankers, academics and civil servants charged with organising public debates on the IMF and stimulating the publication of "informed" articles should also allow the Government to play a more active role.

The debate, so far, has been dominated by opponents of the IMF who have filled the columns of Lagos's numerous newspapers with sometimes vitriolic, often highly emotional attacks on the Fund.

For many, resisting IMF pressure for reform has become a

symbol of independence from economic domination by the West. In the words of the new Finance Minister, the issue is being treated as a "macro matter."

Many opponents of a Fund programme base their resistance on one of the following four platforms, they argue that:

- Devaluation of the naira (a key Fund condition), which currently trades at around 1/2 of its official value on the black market, coupled with cuts in domestic petroleum subsidies, would lead to a sharp rise in food prices.

The pro-IMF lobby argues that increasing supply through building up a pipeline of essential goods to release on to the market at the time of devaluation, would dampen the inflationary impact. But bankers and some Government officials doubt that financing and logistics for such an operation could be organised for a nation of perhaps 100m people.

The political risk of a sharp and unexpected rise in basic goods prices is clearly pre-occupying the Government. But the

new President is believed to be resigned to the need to devalue.

● Powerful vested interests would be damaged by a devaluation, which would wipe out gains available to businessmen who import goods at the artificially depressed official rate of the naira, and sell them on the black market at a huge markup. It is a constituency with considerable political clout.

● The Government has insufficient resources of competent and honest policymakers to ensure that new funds attracted by the IMF stamp of approval would be used wisely. Central bank estimates put expected new funds at between \$1bn and \$1.5bn in structural adjustment loans from the World Bank over three years, \$2.4bn in IMF lending over the period, and as much as \$1bn in new commercial bank lending per year.

They expect between \$2.4bn and \$3bn in new credits from Western export agencies, which would be expected to resume medium-term cover for Nigeria once an IMF agreement had cleared the way for rescheduling some \$2bn in arrears to these creditors. Rescheduling of \$12bn in medium- and long-term debt would free further resources from debt servicing.

● In view of the above, they argue the "muddle-through" policy of Gen Buhari, which led to massive redundancies and a severe slow-down in economic activity, was nevertheless the wisest policy. Its central plank was a determination to live within Nigeria's foreign exchange means.

Gen Buhari can claim major success in restoring financial discipline to Government accounts which had gone bankrupt, but the policy was based on two essentially shaky positions, according to bankers. They were that Nigeria could sell enough oil through barter trade to keep the wheels of industry turning, and that creditors owed several billion dollars in trade arrears would consent to what amounts to a borderline default by Lagos in issuing promised notes to cover these debts (only \$1.1bn-worth have been issued so far).

By the time of the takeover, some \$2bn in counter-trade deals agreed by the old regime were in serious trouble and the slow issuance of notes to creditors, coupled with fears that many claims might never be honoured, was seriously damaging Nigeria's reputation as a reliable trading partner.

Government officials are confident that the current campaign of "re-education" will eventually persuade Nigerians that



'Significant' oil find in Nigeria

By Richard Johns

PAN OCEAN Oil Company has announced an oil discovery 100 miles east of Lagos which, it believes, "could be one of the most significant in Nigeria during the last five years."

The Geneva-registered private company, the operator in a joint venture with the Nigerian National Petroleum Corporation, said yesterday that the second well drilled into the Asaboro structure had yielded a total of about 7,200 barrels a day from three zones.

The flow from the first had been 3,600 b/d of 51 degree API gravity crude, 1,600 b/d of 45 degree from the second and 1,900 b/d of 53 degree from the third.

Dr Vittorio Feltri, chairman and chief executive who is also believed to be sole owner of the company, is meeting Dr Tom Dada-Adedokun, Nigerian Minister of Oil and Energy, next week to discuss further investment.

The company refused to further comment about the development. Pan Ocean has a 40 per cent stake in a concession in Bendel state in Nigeria.

Currently Pan Ocean is selling 150,000 b/d of Nigerian crude to Shell.

Botha bid to defuse Mozambique row

By Anthony Robinson in Johannesburg

MR PIK BOTHA, the South African Foreign Minister, flew to Komatibo on the Mozambique border yesterday to try to defuse the row over Pretoria's continuing support for Mozambique's national resistance (MNR) rebels.

The border meeting took place as President Samora Machel of Mozambique met President Reagan and top U.S. officials in Washington.

Mr Botha presented the Mozambique delegation headed by Mr Oscar Monteiro, Minister of Internal Affairs, and Mr Sergio Vieira, Minister of Security, with the findings of a South African inquiry which confirmed Mozambique allegations of continuing contacts between Pretoria and the MNR.

At the same time, however, he laid counter charges about the presence, forbidden under the Nkomati accord between the two countries, of African National Congress (ANC) personnel in Mozambique. He also gave details about ANC members allegedly arrested, after leaving Mozambique territory.

Under the March 1984 accord South Africa undertook to stop supporting the MNR and Mozambique agreed to expel ANC cadres and not allow the organisation to operate against South Africa from Mozambique territory.

Yesterday's meeting was the sequel to talks last weekend in Maputo when President Machel presented Mr Botha with evidence of continuing South African contacts and support

for the MNR. The evidence of continuing South African involvement was recorded in a diary kept by a senior MNR official captured by the new President's forces recently overran an MNR base.

According to the diary, Mr Louis Nel, the former Deputy Minister of Foreign Affairs, recently transferred to a new post of Deputy Minister of Information, made three clandestine visits to the base.

This was confirmed by Mr Botha, who also confirmed that the South African defence force had set up radio communications with the MNR and had provided assistance to build an airstrip.

The air force had also made supply drops of "mostly humanitarian aid". Mr Botha added that the movement of MNR personnel was connected with diplomatic efforts by Pretoria to re-establish peace talks between the Frelimo Government and the MNR which collapsed last October.

"On the face of it the Nkomati accord was broken, but it is important that President Machel did not allege that the South African Government contravened it," Mr Botha said.

General Magnus Malan, the Minister of Defence, added that the Frelimo Government had been aware of South African contacts with the MNR but that their attitude had been "don't both us with technicalities, just get the MNR to come to us for peace talks."

Americans demand release of Boesak

By Our Johannesburg Correspondent

EIGHT PROMINENT Americans, including Mr Cyrus Vance, a former U.S. Secretary of State and the president of Harvard and Yale Universities, yesterday called on the South African Government to release Dr Allan Boesak.

Dr Boesak, a patron of the United Democratic Front (UDF) and president of the World Alliance of Reformed Churches was arrested on August 27 at a roadblock after announcing plans for a proposed march on Follisfontein prison in support of Mr Nelson Mandela, the jailed African National Congress leader.

The march was violently broken up by police using whips, shotguns and dogs and has been followed by three weeks of almost continuous unrest in black townships, schools and university campuses throughout the Western Cape.

The statement issued in Cape Town by the eight Americans said that the consequences of imprisoning Dr Boesak are "rapidly becoming very grave" but that his release, if followed by the release of all other political prisoners and by prompt and serious negotiations with black leaders, could help defuse the crisis.

The statement drew attention to the fact that no charges have yet been brought against Dr Boesak. Meanwhile Dr Boesak's lawyers have given notice that they intend to bring an urgent application for his release before the Cape Town supreme court next week.

These legal moves followed a successful application in the Durban supreme court last week which secured the release of Mr Paddy Kearney, director of Diakonia, an inter-denominational Christian Association.

Mr Justice Leon ruled that his detention was illegal. Lawyers for Dr Boesak will ask for his release on similar grounds that the police abused their powers in terms of Section 29 of the Internal Security Act which provides for indefinite detention without trial.

If successful the Boesak application is expected to be followed by similar actions on behalf of other detainees.

The release of Dr Boesak was also one of the demands made yesterday by over 3,000 marchers from the University of the Western Cape led by the rector, Professor Richard van der Ross.

The march was met by police at the university gates and people were told to disperse. The crowd dispersed peacefully but thousands marched across the campus later in defiance of the ban on the march.

Meanwhile allegations of extreme police brutality in the township of Elsies River, where two children were killed on Tuesday, are being investigated by the police and local MPs who toured the area yesterday.

Two Koreans killed in tanker raid

TEHRAN - Two Korean sailors were killed when Iraqi planes set fire to their oil tanker in the northern Gulf yesterday, the Iranian news agency IRNA reported.

"The sailors were killed in a fire that resulted from the attack," the agency said.

IRNA identified the vessel as the "San Bung" and said it was hit west of Iran's main Kharg Island oil export terminal.

Other crew members were rescued, the agency said in a report from the Gulf port of Bushehr, south-east of Kharg.

Seoul MPs appear in court

By Steven B. Butler in Seoul

TWO opposition party members of the Korean National Assembly have been charged in Seoul following an anti-government demonstration on the campus of Korea University last week.

The official indictment is expected to increase tensions which have been growing over the affair. Clashes between the ruling and opposition parties over the incident are threatening to disrupt today's opening of the regular session of the National Assembly.

The two members, Mr Park

Chan-Jong and Mr Chough Soon-Hyung, attempted to enter the campus of Korea University last week when students had gathered for a large political "debate" that later turned into an anti-government demonstration.

Police prevented the two men from entering the campus. They then chanted anti-government slogans in a small group outside the university gates. Mr Park is also accused of passing a "message" to the students that police say incited them to violence.

The two men have said they were merely exercising their obligation as legislators to investigate students' views and activities. They have called for investigation of the Home Minister for what they say was illegal action on the part of the police.

The men ignored two summonses to appear before the prosecutor.

The ruling party is using the affair to discredit the opposition by attempting to link the opposition and radical students.

Egypt to cut back foreign borrowing

By Tony Walker in Cairo

PRESIDENT Hosni Mubarak of Egypt has instructed government authorities to stop foreign borrowing except for what he described as "productive projects which are able to compensate for themselves."

Egypt's president, in a nationally televised address on Wednesday before leaving for Europe and the U.S., spoke of the budgetary constraints under which his Government is operating and called for restraint in borrowing.

The International Monetary Fund has estimated that Egypt's external debt stands at \$31bn. Bankers are reporting that Egypt is in arrears on a number of its commitments and there is concern about its financial position.

Arrears on its military debts to the U.S. are in the order of \$350m. Egypt is also believed to be in arrears on military debt payments to the French.

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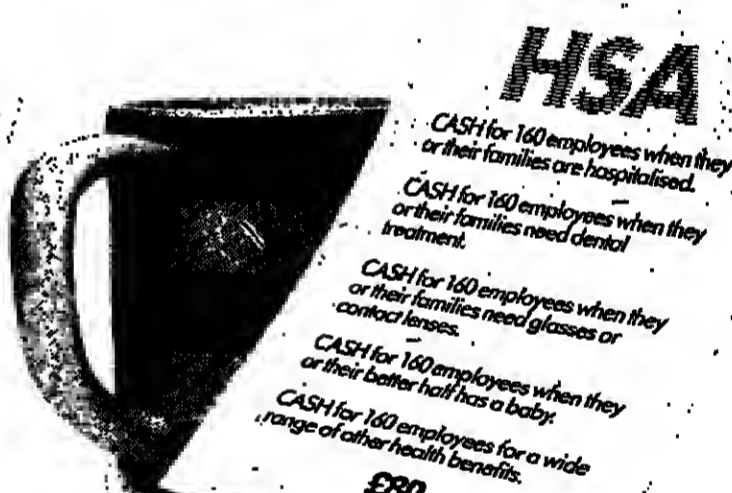
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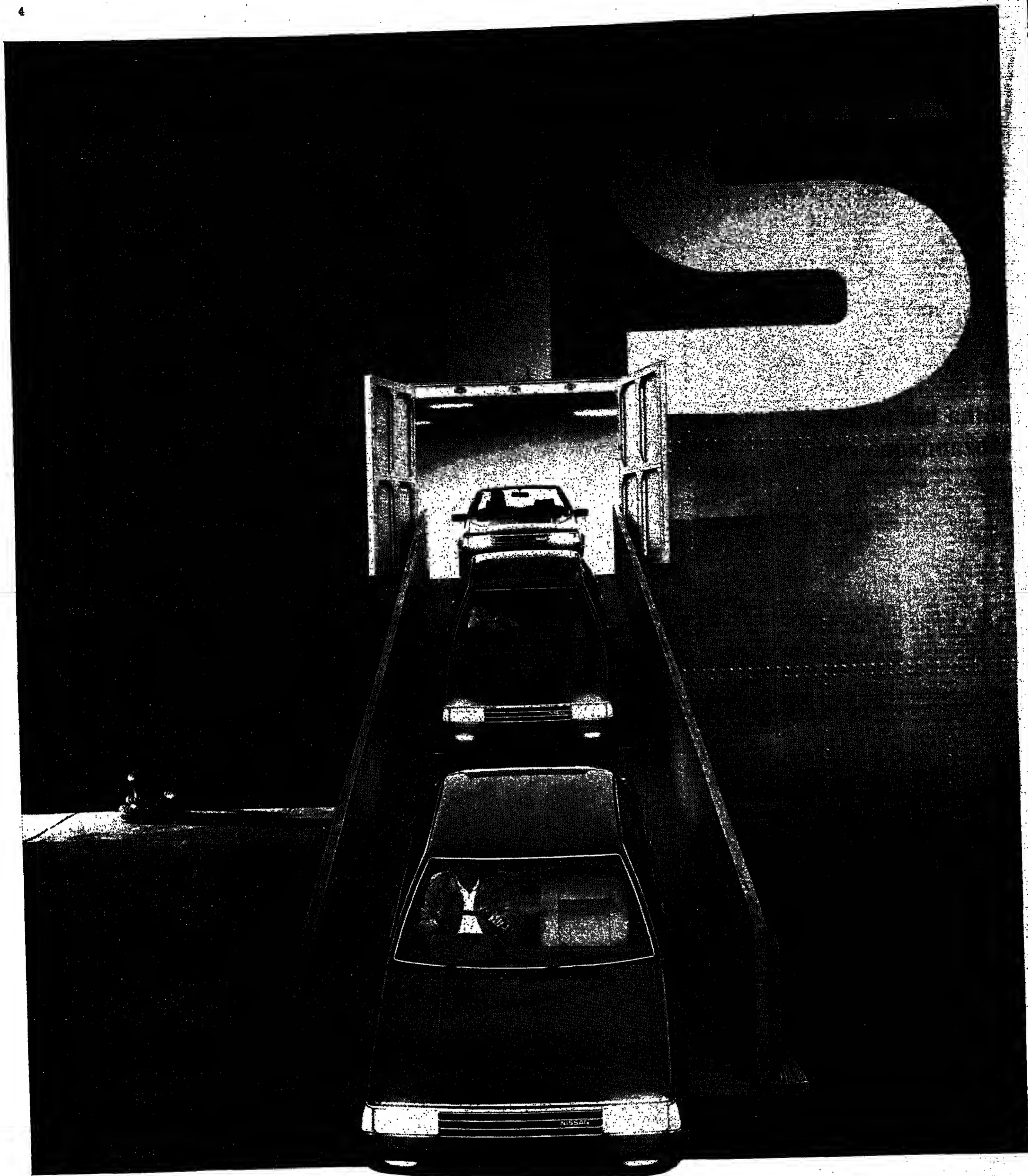
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At the moment a large proportion of Nissan's production in Japan is exported, which is, of course, not very good for the British economy.



They don't half work.



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From summer, 1986, Nissans will be made in Britain, saving the 30-day crossing from Japan. The cars will be built in one of the most advanced factories in the world, ahead of anything in Dagenham, Paris or Tokyo.

But although they will employ the latest computer, laser and robot technology, no-one need be made redundant. And Nissan workers should earn more than other British car workers.

Their way of working will be a little unusual for the British. Management and workers will get together every day to see how they can make things better.

And the General Manager of the factory will wear the same work clothes as everybody else.

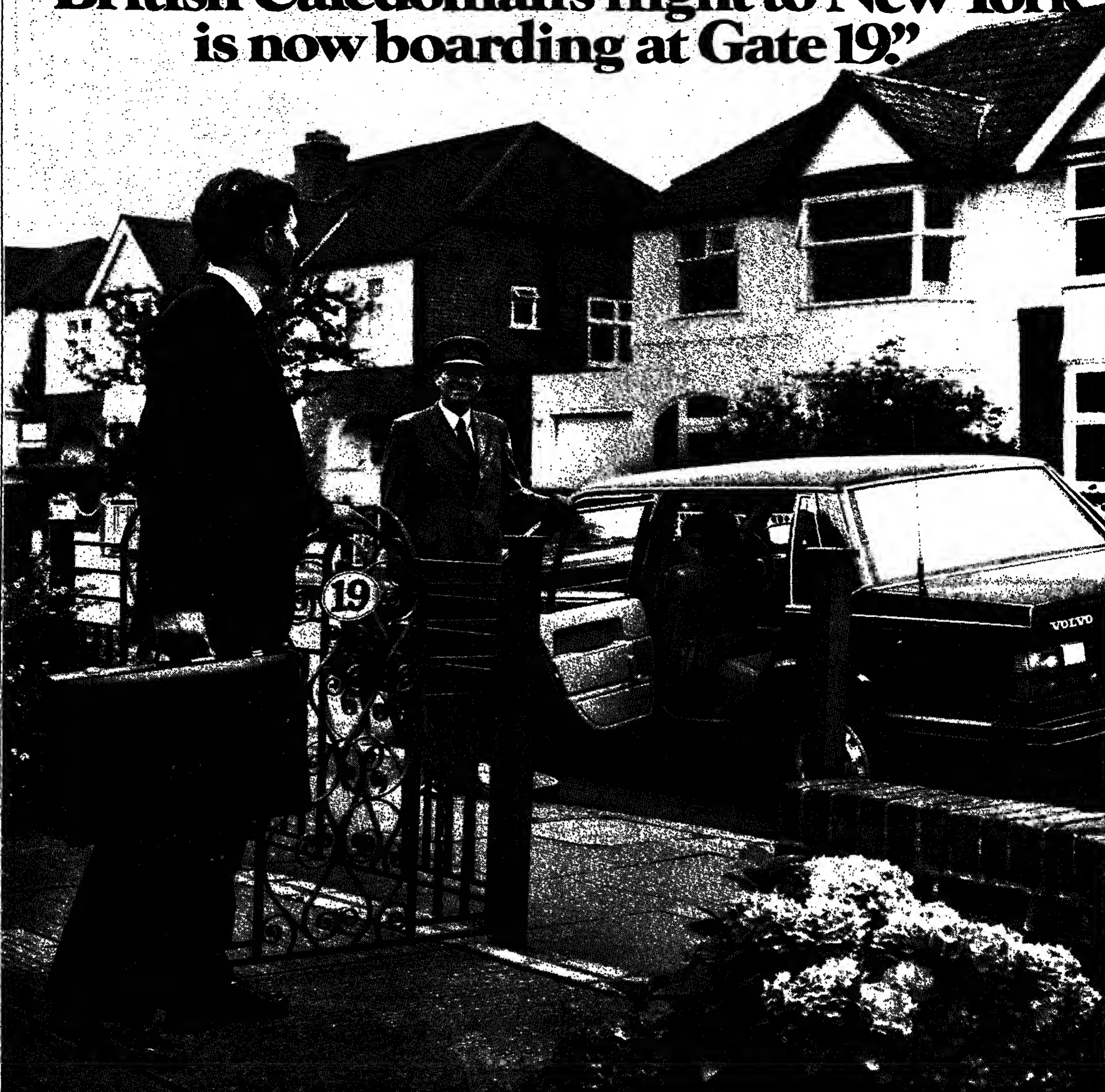
That is one reason why there should never be a strike. Another is an agreement with the AUEW designed to make disputes unnecessary. All this may help to

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Product Innovation Advanced Technology Service People Global Network Electronic Banking

THE MANAGEMENT PAGE

U.S. heavy engineering

How Clark Equipment gave itself a lift

BY IAN RODGER

YES, SMOKESTACK America, there is hope for you yet. Many U.S. manufacturers of heavy equipment, battered by low cost competition from the Far East and the effects of the high dollar, have been retrenching and/or moving their manufacturing operations offshore.

Caterpillar Tractor, Ford, and many others have all begun building up operations abroad while cutting back in the U.S. But the managers of Clark Equipment, the Indiana-based leading Western producer of low cost competition from the plier of construction equipment and automotive components, are just emerging from a three-year restructuring exercise, and they think those sorts of decision are unnecessary.

They believe things like lift trucks, wheel loaders and off highway vehicle transmissions can be made in the U.S.—and be made "world cost," and quality-competitive there, to use the leitmotif of James Rinehart, the chairman—using only very small amounts of components imported from low cost suppliers in the Far East.

"When we started, we assumed that we would have to buy 60 per cent of our components from Pacific Rim countries," says Rinehart, who joined Clark in 1981 following a long career at General Motors. "It turns out that there are many producers in the West that are as good as, or better than, the Japanese."

One of them—and it has been a source of inspiration for Rinehart—is Clark's own Melroe subsidiary, which makes the Bobcat line of mini loaders. Melroe continues to dominate the world market for these products, with an estimated 55 per cent share, operating from factories in, of all places, North Dakota.

"They have a scale advantage of four to one over the next competitor," Rinehart says. "But they set their cost targets in anticipation of a competitor with similar volumes. It is a cultural thing."

It is one thing to admire a company like Melroe that has long maintained a rigorous international view, quite another to develop a strong culture in some weary old businesses, like

Clark's lift truck company. "The challenge of making a Western company in traditional businesses world cost- and quality-competitive is more complex than I realised when I came," Rinehart says. "It takes an extraordinary commitment. In many cases, it means reducing costs by 50 per cent."

Since 1981, Clark has closed six factories, written off more than \$200m in restructuring costs and binned off one of its principal businesses—construction equipment—into a joint venture with Volvo of Sweden. It is also in the process of withdrawing from the car and on-highway truck components sectors. "The company hopes to make an operating profit this year for the first time since 1980."

Outperform

Rinehart now believes the core Clark businesses—including the venture with Volvo—have been saved and are well on the way to achieving his goal which is to have them outperform industry competitors "and systematically to develop the capability to sustain that relative performance level throughout the economic cycle."

"The good news," he reports, "is that it can be done." But he also cautions, "the bad news is that it may not be enough. I would not try to convince you that we are there. We will just have to wait and see."

His main concern is what he sees as an unfair competitive advantage the Japanese have in the availability of low cost capital. "To be financially viable, you have to earn a return on assets that is at least equal to the cost of capital. Japanese interest rates are half those in the U.S., so the return on assets of Japanese manufacturers only has to be half of ours. We have got to get them to open up their financial system."

Rinehart's own approach has been, as he puts it, "to revitalise each of the businesses without any mental limitation whatsoever on how it would be done." We accepted that that could well include new ownership arrangements.

In the early 1980s, Clark had

three main manufacturing businesses. It was the world's largest maker of fork lift trucks, with turnover in 1982 of \$424m. It was a significant producer of construction equipment, making the large Michigan loaders as well as the Bobcat products. Revenues from that division were \$364m. And it made \$234m worth of axles and transmissions, mainly for off-road vehicles.

Rinehart and his colleagues decided in the autumn of 1982 that these businesses, with the exception of Melroe, could no longer go on the way they had done. They did not know what needed to be done, so the first thing they did was close four factories. "That improved cash flow dramatically and gave us the time to find out how to do it and whether we could do it," Rinehart says. He emphasises the importance of money management when restructuring. "You have to learn not to throw money at problems. I suppose that is a peculiarly American weakness."

The Clark executives spent two years studying their businesses and came to some stark conclusions. They decided that the fork lift truck industry was basically a regional business. It had been turned into an international one in the 1970s by Japanese producers who realised that they could undercut their Western competitors, but Clark executives do not believe this trend will last.

However, they recognise that the lift-truck itself is a declining part of the much larger materials handling business, and that any manufacturer which intends to stay in the business has to broaden its product line. The problem is that materials handling technology is in considerable turmoil, with no clear product types emerging. For example, the automated warehouse concept of the 1970s has quickly gone out of fashion because manufacturers today do not want to hold big stocks. Now the emphasis is on more flexible materials handling automation.

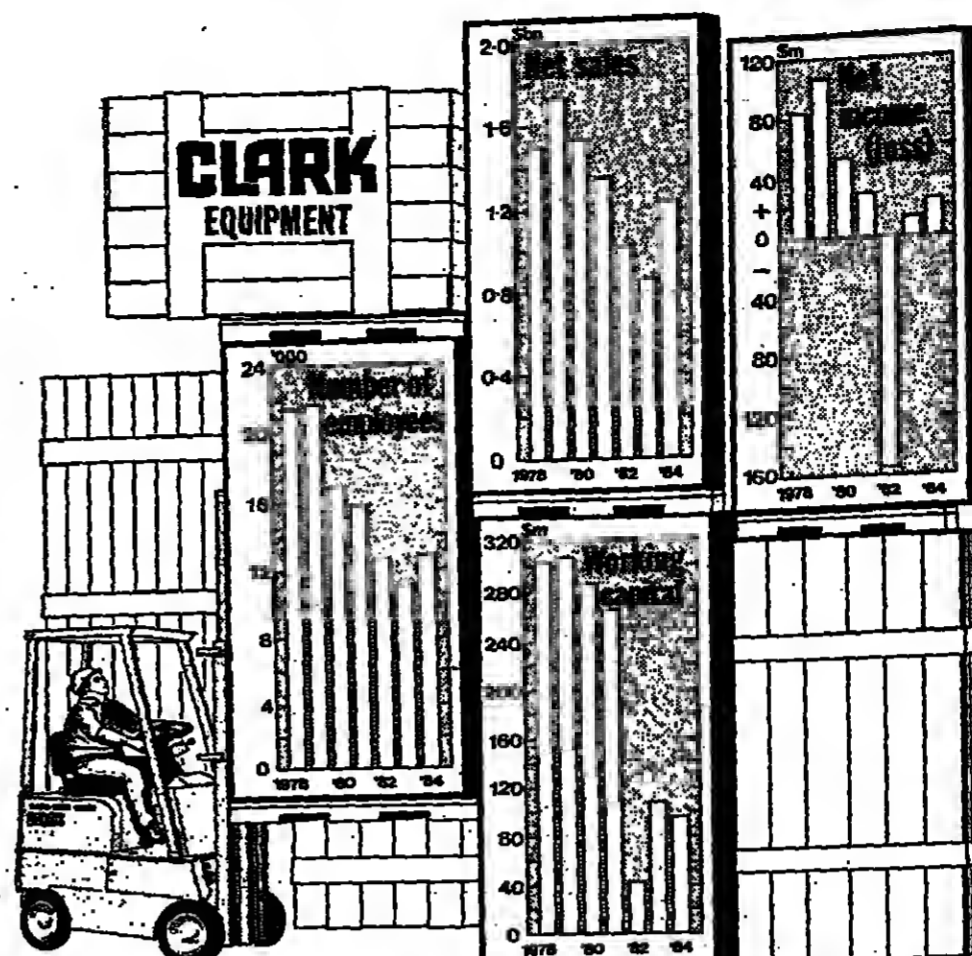
Clark's strategy is to be as competitive as it can in the lift truck industry and to look carefully for other opportunities within the materials handling

industry. "One does not really want to invest a lot of money when the future is so cloudy," Rinehart says, "but we are going to be a part of the automation business." By contrast, the Clark executives concluded that the construction equipment sector would remain a world business. Only those who operate on a worldwide basis would have a chance of surviving. The problem was that Clark on its own was a relative minnow in a \$20m industry. Moreover, the industry standards were very high, with Caterpillar Tractor setting the pace on cost and quality. Another criterion for survival was financial strength. Any survivor would have to be able to invest heavily in new products.

"We took a very long range view of this industry, and it was impossible not to see a future for it," Rinehart says. "Societies around the world are going to have to move earth and dig for a long time. Areas where you would have expected to see huge growth have been held up by debt problems, but that does not mean the jobs will not be done. And there is nothing on the horizon that would be a substitute for our products."

So Clark decided it wanted to remain a part of this industry, but that meant it had to get bigger. In 1984, it bought a competitor, Endlin, from Daimler-Benz for \$31.6m and last year it merged its entire construction equipment business with that of Volvo, creating at a stroke the third largest supplier in the world. VME, as the new venture is called, has more than 20 per cent of the world market in dump trucks and about 18 per cent in wheel loaders.

It has the additional virtue of being profitable, and Clark and Volvo are determined to keep it that way. "Tenneco, Fiat and Dresser boys shown that you cannot put levers together in this industry," Clark and Volvo expect to attract other partners to VME, but they are setting strict terms. "One of the criteria for joining the club is to have been profitable in 23 of the last 25 years."



Rinehart emphasises that the formation of VME is by no means a prelude to a Clark exit from the construction equipment business. "Both of us will retain 50 per cent for the long term. Neither company intends to get out of the business. There are obvious synergies between construction equipment and other operations of the two companies."

Synergy

The obvious synergy for Clark is with its axle and transmission division. The company claims to be the world's largest supplier of transmissions for off-highway trucks and industrial vehicles. It has a much smaller position in on-highway trucks and cars, and has decided that it can no longer keep up with other suppliers in this sector. Earlier this year, it put its medium duty truck transmission business into a joint venture with Eaton, another components maker. As part of the deal, Eaton is expected to buy out Clark's 50 per cent stake by the end of 1985.

With the strategies clearly established, Clark is now grappling with the problems of implementation. "In many

cases, it means new design, new suppliers," Rinehart says. "In some cases, the new designs do not fit into the traditional manufacturing configuration so you have to start over."

So far, the main emphasis has been on improving both the quality and cost of bought-in components. Rinehart suspects that Clark will end up changing well over half of its suppliers. "You go to them, and many of them just do not believe that they are uncompetitive. It is sad. And many others, even when they see it, say that it is impossible for them to get there."

For all that, the company has not changed the origin of its supplies much. It is making greater use of its components factories in Belgium and Brazil, and plans to move a transmission-axle line from North Carolina to Brazil. "There will not be much change in the sources of our value added when we are done, and the amount from the Pacific Rim will only be about 10 per cent."

The next, and much tougher, phase will see the introduction of many new products and processes. Clark has kept its capital spending well below its

depreciation charge for the past three years, and has only prevented the deterioration of its plant by keeping the best of the machinery from its closed factories. But that can only go on so long. Also, both VME and the lift truck business are developing new products, and these will probably require the adoption of new technologies.

Rinehart's conclusions on the whole restructuring exercise are not surprising. "You have to have a lot of commitment, hard work and luck." And part of the luck, he reveals, came in the legacy from the company's ill-fated dash for growth in the 1970s.

In the 1970s, Clark built three new factories for its major products in North Carolina, duplicating those it already had in Michigan. When the crunch came, the company found it could close its four main factories in high-cost Michigan without losing any business.

"The factories in the South had capacity dramatically greater than anyone thought, and a potential cost structure that was half what we had in the North," Rinehart says.

Management abstracts

Direct Marketing in UK, L. Andrews in Direct Response (UK), February 1985 (2 pages)

Present results of a survey of the use of direct advertising by some 200 major companies and its importance in overall marketing plans; while finding wide use (over 80 per cent of the sample), direct response is seen by most companies as a minor part of the marketing mix. Argues there is a strong case for more education for senior marketing managers to develop understanding and skills.

Are British managers culturally sensitive to Islam? N. Nicholls in Business Graduate (UK), April 1985 (5 pages)

Surveys a sample of companies marketing in the Middle East to determine how they cope with cultural differences in dealing with Islamic customers in terms of product and advertising adaptation, and in selecting senior executives responsible for the market. Finds that most consider cultural factors to be important (but economic-political factors more so), and that few difficulties are seen to exist.

Female managers overseas, N. J. Adler in The Columbia Journal of World Business (U.S.), Autumn 1984 (61 pages)

Reckons that nearly a quarter of managers in the U.S. are women, but that only three per cent of expatriate managers are women; from a survey of U.S. and Canadian personnel managers, East reports that the majority believe that this proportion will grow, but lists the difficulties—foreigners' prejudice, dual-career marriages, and resistance within their own companies.

Costing for marketing, I. Davies in The Australian Accountant (Australia), May 1985 (54 pages)

Argues that accountants should become more aware of the potential benefits of marketing programmes rather than just paying attention to the costs; analyses the various components of a marketing strategy and mix so that accountants can follow; puts the view that production schedule stability can be greatly assisted by this approach.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licenced copies of the original articles may be obtained at \$4 each (including VAT and p+p; cash with order) from Anbar, P.O. Box 23, Wembley HA8 9BN.

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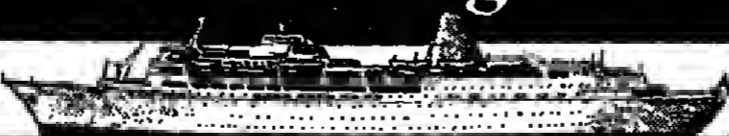
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FINANCIAL TIMES SURVEY

Friday September 20 1985

Innovative development and gradually reviving rent levels offer new hopes for selective growth in the sector

UK PROPERTY

New blood and newer ideas

BY WILLIAM COCHRANE

THIS YEAR has seen growing awareness of the limitations of UK property as an investment vehicle, and a willingness by property professionals to do something about it on a long-term basis. They have become more aware of the occupier's needs, and there is even room for short-term optimism on the performance of rents.

False dawns have been an annual feature of the property market since 1982, however. "To call property people optimists is akin to saying that Ben Hur was a bit useful with a horse and cart," said stockbroker WICO Galloway & Pearson.

Reports of institutions piling back into the property investment market were "a massive over-simplification." Property investment by institutions had reached an all-time high in the fourth quarter of 1980, at £568m for the quarter.

In nominal terms there has not been a quarter above £400m since 1983. "In inflation adjusted terms institutional investment is about 50 per cent less than its 1980/81 peak," the brokers said.

Echoing a number of institutional fund managers, Mr P. G. Hirsch, managing director of Hirsch Mortgage (International), said property had lost some attractions with the fall in inflation and the increase in the real rate of return on fixed interest and other forms of investment.

"Property tends to be seen as a sound, long-term inflation hedge and a attractive vehicle when inflationary expectations are high," he said. "Under the present government the inflation rate has fallen. In this changing environment, investors have tended to be more interested in financial assets as opposed to real assets such as property."

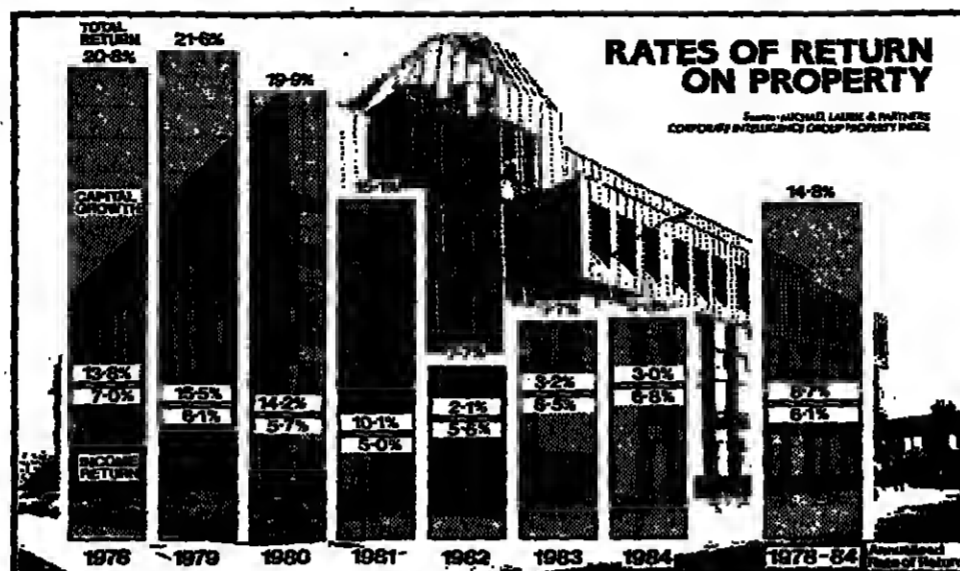
When fund managers can earn a real return elsewhere of 3 or 4 per cent, with little apparent risk, they will think twice about investing in property, where some came badly unstuck in the early 1980s.

Mr Paul Orchard-Lisle's programme for his term as president of the Royal Institution of Chartered Surveyors contains a number of measures which would help to bring property investment into the second half of the 20th century.

Discriminating

Unification of single property investments would eventually bring home to the prospective investor that each property has its own investment characteristics and prospects. Indeed, the success of Waties City of London Properties as a specialised investment vehicle suggests that they have already caught on to that.

The funding of Mr Rupert Nabarro's Investment Property Databank and the decision to



make its work widely available on demand will also help promote a more discriminating approach to the sector.

However, as Jones Lang Wootton said in the commentary for its summer Property Index, the key to long-term property performance is rental growth.

Letting markets continued to show growth in activity and there was evidence that this is gradually beginning to translate into increased rental growth.

They predicted that over the next 12 months if the economy continued to expand as expected, and inflation remained in the 4.5 to 7.5 per cent range, there would be rental growth of about 6 per cent—with a faster rate for shops and slower rates for industry and offices.

However, given the returns elsewhere there would appear to be little room for a general fall in yields. "Although property returns in the coming

year may exceed last year's the improvement is likely to stem more from income than capital growth," the agents said.

Debenham Tewson and Chinnocks showed industrial rents up by 7.5 per cent in their annual survey—the first yearly increase since 1979 which has exceeded inflation.

Unburdened

Hillier Parker's research team, led by Mr Russell Schiller, said that over the past six years in the secondary sector shops have massively outperformed all other types of property, with rents up by 79 per cent. The rate of growth is accelerating, with an annualised rate of 16.4 per cent.

So there is hope. But it is selective, as the property share market shows. This public face of the property industry has produced disappointing asset valuations this year, as what one observer has described as

"secondary, dated property portfolios" have come to light.

On the other hand what has been described as the new breed of merchant developer has shot to stock market fame in the shape of companies like London & Edinburgh Trust, Stockley and Rosehaugh. These are innovative, active managers unburdened by historic property portfolios—companies which above all seem to have developed what the occupier is perceived to require.

Property development is an exciting business. Right or wrong in a planning sense, out-of-town retail schemes have been hitting the headlines; high-tech and hybrid office/industrial properties have attracted institutional backing; and information technology is changing the shape, and locational requirements of office buildings.

The combination of new blood, new ideas and innovations in funding point to a constructive year ahead.

Measuring up to ambition

Mr Paul Orchard-Lisle, new head of Britain's chartered surveyors, has a clear campaign to boost the profession



Paul Orchard-Lisle, new RICS president

THE NEW president of the Royal Institution of Chartered Surveyors, Mr Paul Orchard-Lisle, a senior partner in agents Healey & Baker, has a 25-point plan for his year of office. Most aim at improving the chartered surveyor's standing in public, professional and political terms.

However, Mr Orchard-Lisle is also aiming to improve the chartered surveyor. "I want to make sure that chartered surveying is a profession which adds value to the client," he says. "Too many others are reactive, or protective."

At local level the chartered surveyor should be seen as "worthy of consultation in much the same way as the family doctor or the family solicitor," at national level "as someone who can contribute to the formulation of policy and the taking of major decisions."

"We need to convince those in authority that we have something that they should bear first-hand, not via their staffs. We need to stress that the chartered surveyor is as worthy of a main board seat or a chief executive appointment as any person in the business community," he says.

There is a list of the "great and the good" in Whitehall — civil servants willing to serve

looking at the unification of data banks. Collaboration has already been reported between Healey & Baker, Hillier Parker, Jones Lang Wootton and Richard Ellis, sponsors of a "super index" of property market performance, and the progenitors of the Investment Property Databank — Chestertons, Cluttons, Debenham Tewson & Chinnocks, Drivers Jonas, Savills and Westhall Green & Smith.

At one end of the market the house agent who is a chartered surveyor will have to be seen to be better than the competition. At the other, there will be multi-disciplinary courses for top people.

The institution is exploring the introduction of a diploma with the College of Estate Management open to those who specialise in property investment. In the broad, Mr Orchard-Lisle wants to improve members' understanding of financial markets, of marketing and of business management.

Mr Ian Northern, president of the RICS planning and development division, will report on the development of the chartered surveyor as property manager. Mr Orchard-Lisle is also pushing on with inherited projects like the unification of real property. Mr Collin Vaughan, of Debenham Tewson & Chinnocks and chairman of the RICS working party on the subject, has a definite target for completion of investigations.

The institution is waiting for new proposals for local rating in England and Wales, and looking at the simplification of the planning process.

Meanwhile the institution is

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UK Property 2

Property is re-emerging as a favoured investment, but problems remain on risks and funding gaps. William Cochrane reports

Rent rises restore confidence

Investment

PROPERTY investment stands in a better competitive position than it has done for some time. This is in high contrast to flow of funds a year ago.

"There is a general feeling among fund managers which has been gathering pace over the last nine months that property will re-establish its importance as a vital ingredient to any investment portfolio," Mr Andrew Gulliford, of agents Healey & Baker says.

This compares with last year's finding by the Debenham Tewson & Chinnocks Money into Property report that 30 per cent of institutional funds were going into liquid assets (compared with 17 per cent in 1983), even though interest rates were dropping at that time and liquidity was less attractive.

Reasons for the switch are twofold. Mr Gulliford says. First, the evidence of rental growth in the retail and office sectors and the anticipated recovery of industrial/warehouse rents.

"Secondly, other competitive markets have been suffering from lack of growth, particularly the equity market, which has failed to perform during this calendar year."

So there is a case for property investment; but in which sector? Earlier this year the Henley Centre for Forecasting reckoned that retail growth was due to be overtaken by that of office rents, and virtually matched by a resurgent industrial market.

Mr Gulliford says: "We do not in the foreseeable future believe that the accelerated

growth forecast for office and industrial rents will impinge upon the retail sector's pre-eminence.

"The increase in retail rental levels overall is likely to be more favourable than in the other two sectors and this was certainly borne out in the last 12 months, to June 1985, by our PRIME report on rental growth."

Mr Howard Spence, investment partner at Pepper Angliss & Yarwood, takes a similar line. "The gap in total returns between shops and office/industrial property during the past five years has widened steadily," he says.

Shops have fundamental advantages of being less subject to physical obsolescence than other users and are less dependent upon covenant status. They also make up a less than optimum percentage of value within the average property portfolio he argues. Institutions therefore remain anxious to acquire more retail property.

Recovery

"Another major factor assisting retail property is the relatively small lot size and the breadth of available market to sell into." Office and industrial property tends to be large and indivisible.

"Retail pre-eminence is likely to continue for some time yet."

So there may be more scope for recovery in offices and even more so in industrial. There also may be a risk in investing in high street units — in spite of their convenient size — as shopping centres and, latterly, the move to out-of-town complexes siphon off more and more retail spending. But

agents have to deal with the market as it is, not what it might become.

Agents discern a trend away from major conurbations. "There hasn't been much scope for retail property in major regional centres like Leeds, Bristol and Reading, with Zone A rents in the £70 to £80 per sq ft bracket," says Mr John Sloan of Richard Ellis.

"But where they were £20 to £30 Zone A in smaller towns two years ago, they have often motored up to around £40 to £50, with yields moving from 5 1/2 to 6 per cent to between 4 1/2 and 5 per cent, or even a shade better."

These figures would indicate capital growth in two years of about 120 per cent. Mr Sloan cites Marlborough in Wiltshire, as a town which RE bought into about 18 months ago where rents have moved dramatically.

Mr John Orton, RE research chief, sees prospects for more involvement on the office side as values become more realistic. The firm's annual investment review this year had already pointed to a major upward movement in average yields in both the office and industrial sectors over the last year.

"The market has now reflected the poor prospects for future performance from out-moded standard property," said the report. For a number of years, it said, this had been valued at yield levels which could not be justified, either by anticipated future rental growth or in comparison with yields available on sale.

"This substantial change in yield structure has more than offset the beneficial effect of rental growth over the past year

and has proven the major determinant of total returns in both the office and industrial sectors, which have shown negative capital returns of 1.33 per cent and 8.03 per cent respectively," said the report.

The consensus seems to be that this year will be a better one, for investment and returns. Jones Lang Wootton have forecast an annual rental growth rate of 6 per cent for the 12 months to next June, and a total return from property of about 11 to 12 per cent against 8.9 per cent last year and only 2.4 per cent in 1982-83.

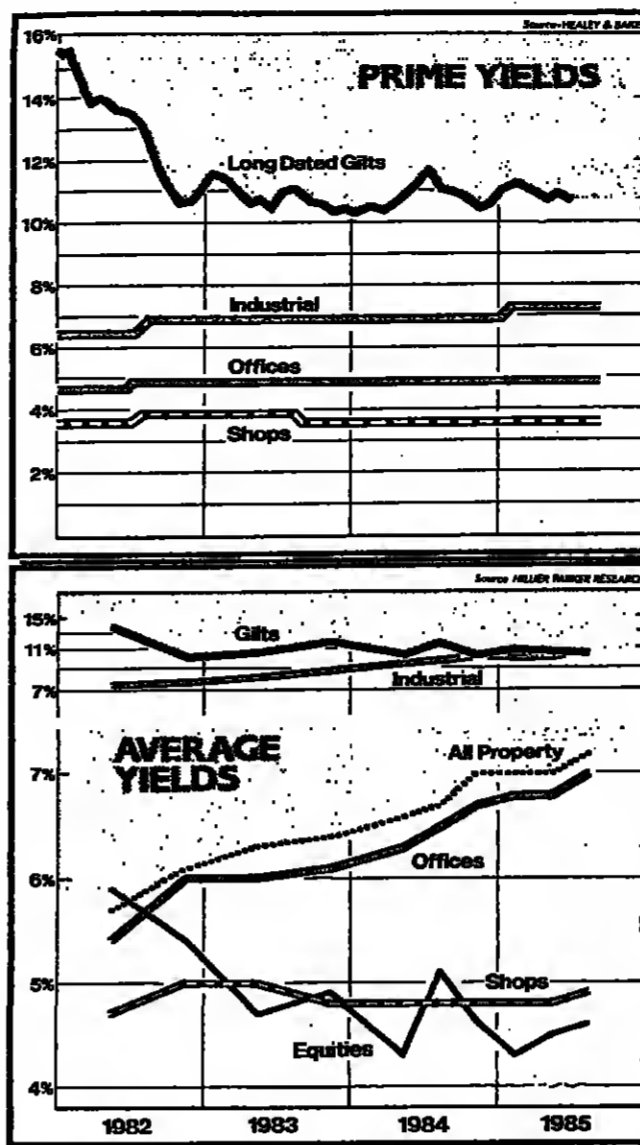
They saw little room for a general fall in yields while high returns remained available in the gilts and money markets. "Although property returns in the coming year may exceed last year's, the improvement is likely to stem more from income than from capital growth."

Secondary

At a different level, Mr Gulliford points to the activity by property companies purchasing other companies, the most spectacular being the MEPC purchase of EPC.

"There seems to be a general feeling that the value attributed to more secondary and tertiary properties are unlikely to fall further and have now been marked down sufficiently by professional advisers."

"The potential for not only rental growth but yield growth has therefore attracted potential purchasers of property companies where the majority of assets may fall into the secondary or tertiary category. The general anticipation of a fall in interest rates lends weight to this theory."



Resistance to low prime shop yields is showing in average figures and could end the period of prime stability since 1977, Hillier Parker says.

Balancing higher yields against tolerable risks

Fund managers

THE IMAGE of investment managers as mindless "sheep" following fashion and automatically accepting prime property offers has been punctured in the last year. Low-yielding high street shops, for instance, long considered classic "sheep fodder," will not be accepted automatically nowadays.

One outsider who has moved into the institutional fold dismisses any slavish approach to investment in any case.

"I don't think institutional fund managers are like sheep," says Mr John Case, who moved from Peterborough Development Corporation about a year ago to manage Pearl Assurance's £600m property portfolio. "Their property portfolios have been built with care. Assets have been developed and more money invested to bring properties up to date, or on redevelopment to produce growth."

There has been talk of fund managers falling foul of the "black hole" of property short of prime in the 6 to 9 per cent yield range which showed itself woefully deficient in growth and marketability in the recession years of 1980-84. But institutions hold only a small proportion of the property market, and their holdings tend to be of higher quality, he says.

In 1984 the Pearl made a small divestment in property but by June this year it had new commitments of some £45.8m, of which about £23.4m was for retailing and the rest for offices.

He does not go for the 3 1/2 per

cent high street unit. "The yield is too low. I go for more than 5 per cent." And he queries whether the 3 1/2 per cent unit still be prime after the first rent review.

Mr Matthew Oakeshott, investment manager of the Courtland Pension Fund, goes a stage further. He said investment property defined as prime was "dangerous," and that high returns with lower risks would result from a careful choice of investments dismissed as secondary.

"Over the past four years the capital value of most institutional property portfolios have shown very little net change. Over that same period, UK equity values have more than doubled, while the sterling value of a typical pension fund portfolio of foreign equities has trebled. Gilts have risen by about half."

Acquisition

"Over longer periods the comparative returns from direct property show up very badly too," Pension fund manager and trustee, he said, will no longer be prepared to "buy the best and hope for the best."

Secondary and tertiary investments, within the context of a small, mobile fund, seem to have provided a useful stamping ground for Mr Terry Goddard, investment director of the Habitat/Mothercare group.

At a time when a number of pension funds and unit trusts were still attempting to reduce their property portfolios, the Mothercare Pension Scheme was involved in the largest programme of property acquisition in its history.

Mr Goddard decided late in 1983 that he wanted a high return compatible with security and quality of income. He appointed Gordon Elor and Company, specialists in commercial and short-leasehold investments, as sole agents and advisers.

Mr Gordon Stafford-Bloor said that over the previous two years more investments yielding 10 per cent or more had come on the market and remained unsold. It was decided to concentrate on this area.

In 15 months the fund had spent some £13m (plus £2m on improvements) to build a commencing yield of more than 14 1/2 per cent. Since then, Mr Goddard reports that hundreds of propositions have poured in.

Mr David Double, of Rothschilds, has called for more and better information. "I suspect that many of us involved in property investment decisions spend a great deal of time ranging over a shopping list of areas in which we would like to buy, or sell, and monitoring areas in which we hold investments," he said.

"We are always searching for threads of information which could give early warning of trends."

However, he also suggested that a louder voice should be raised against the "insidiously growing" pressure for short-

term property performance "generating a climate in which the investment decision gives way to the dealing decision and the opportunity of snatching a quick profit for the benefit of the performance tables is taken."

There is a clear move away from the long-term view of property, says Mr John Arkwright, investment partner at Herring Son & Daw.

"There is a possibility of fund managers going over the top by investing in secondary or tertiary markets because of the nature of the investments. They may provide a higher yield or more opportunity and therefore carry more risk."

"It is important to make the distinction between buying property in the secondary and tertiary markets for yield, and buying property which might otherwise be prime but for management problems such as poor structural repair, outmoded buildings or non-institutional lettings, where property can be improved to a prime investment by good management."

"The move by fund managers is not so much to secondary or tertiary markets in the traditional sense. It is active management being encouraged by a more regular look at performance."

Mr Andrew Gulliford of Healey & Baker, says: "There is a growing awareness among fund managers that there is a need to work properties within the portfolio by varying lease arrangements, refurbishing buildings, or ultimately selling properties which have not performed."

Contents

The fundamental attribute of property is the potential for long-term growth and, in this respect, it does not matter whether the property is prime, secondary or tertiary," he maintains, indicating that some advisers' definition of secondary or tertiary is different from others.

"In very general terms, if one accepts a higher yield, the risks of that investment are greater," he says. "The great skill is to balance the desire for higher yield with a tolerable level of risk."

Mr Oakeshott, who is leaving at the end of the year to set up his own business, said: "We will gradually be forced to recognise the brutal truth that there is only one sure rule for making a fortune in property as in any other form of investment: buy from frightened people and sell to greedy ones."

Mr John Orton, research partner at Richard Ellis comments: "This is really the role of the owner/developer, not that of the funder/investor."

However, RE acknowledges the sense of Mr Oakeshott's view that as institutions inevitably come to examine their own record in property investment more critically, there will be a revolution in attitudes to yields and the types of property acceptable.

Paths explored around long-term distortion

Alternative funding

THERE IS a fundamental distortion of the top end of the UK property investment market. The distortion is long term, and has been perceived for some time, but that perception has been heightened by events of recent years, the increasing investment awareness of the chartered surveyor and solutions which the industry is beginning to put forward.

Mr Jonathan Tinker, a member of the new financial services group at Richard Ellis, points up the distortion in City of London terms.

"There is ready institutional money for City developments of up to £10m and a handful of institutions who can play in the £20m to £30m zone," he says.

"But once you are talking about the £50m to £70m building, you are also talking about a 7 per cent funding yield which could rise to 8 per cent if some form of participation is involved."

The owner-occupier is prepared to pay a lot more, he says. Brokers Serlinghouse, Vickers noticed this when Mitsubishi Estate, the property arm of the Japanese bank, purchased the freehold of the 45,000 sq ft Atlas House on King Street and Cheapside in the City.

"One of the existing tenants,

Mitsubishi Bank, is believed to be paying a rent of about £35 per sq ft, so the £34m purchase price would suggest a yield of just under 5 per cent," the brokers said.

The property market has been distorted for a long time, says Mr Colin Vaughan of Debenham Tewson & Chinnocks, chairman of the Royal Institution of Chartered Surveyors working party on unification of real property.

The 1925 Law of Property Act sought to simplify land ownership, he says. It invented the trust for sale, envisaged as a stopgap which spread ownership of property but had limitations as an ownership or investment vehicle.

The 1968 Prevention of Fraud Act provides much of the framework of legislation affecting trusts and specifically excludes property from the type of assets which can be held by authorised unit trusts.

"Various taxation provisions militate against different types of investor and inhibit their effective combination," Mr Vaughan says.

Regeneration

For a while, this did not matter. The last 20 years has seen an enormous growth in size of institutional investors and their need to spread their funds led to substantial investment in direct property. Recent estimates suggest that major institutions and pension funds have some £30bn at risk in the market.

Risk is the key word. Past practice for the institutional market would be that few would sell within 10 years of purchase, and many would consider their property holdings permanent, Mr Vaughan says.

"When the 1980 recession came it exposed many of the decisions to buy, and resulted in attempts to sell many of the larger holdings which major institutions had accumulated."

In a declining market for all but prime retail values, this proved extremely difficult, and the fact that property is an illiquid commodity was brutally exposed.

"This took place at a time when larger and larger sums were required by ambitious developers for projects of urban renewal."

"It has become obvious that in the future, larger sums may be required to procure the regeneration of many of our inner city areas. But these institutions which in the past have been principal sources of funds for major projects now recognise the trap which may arise should a sale become necessary."

A return to traditional sources of short-term finance, the bank, has helped to plug the funding gap. There have been increasing moves towards partnerships between developers and institutions, and Mr Tinker wonders whether participation mortgages will be imported from the U.S.

But the most persistent argu-

ment has been for the establishment of the single-property investment vehicle, whether a unit trust, a company or a syndicate. "It seems illogical that a major public company can be owned by thousands of shareholders but major property cannot be so subdivided," Mr Vaughan says.

Shares in ICI get their dividends from what is virtually the bottom line of the accounts, whereas with many property holdings, the net is almost equivalent to the gross.

"The property market is inefficient," he says. "The mystique associated with it operates in the same way as some restrictive practices and deprives investors of legitimate opportunities."

The RICS working party published a consultative document which recommended that single property unit trusts should be authorised by the Department of Trade and Industry so that a wider range of investors could be involved in the property market.

Its final recommendations are due to be published in the autumn. "The working party is now preparing a definitive report which will, amongst other things, highlight the advantages which might flow from the restructuring of a vehicle which would permit the utilisation of property assets," Mr Vaughan says.

Renewal

The individual investor would get the chance to place small sums in properties of his choice. The corollary is that the property professionals must open themselves to intense questioning and criticism from the media and probably their own competitors.

The developer could obtain funds in much the same way as companies are floated by public offer of shares. But the developer had better get his facts right, for equity issue prospectuses come under strict scrutiny from professionals.

Institutions would be able to come together and fund substantial developments without "running the risk of massive over-exposure."

Mr Vaughan sees as an important consideration that the Government could realise some of its property assets this way, as well as finding sensible funding for some urban renewal prospects. If so, one might expect sympathetic treatment for altering the existing legal and tax framework.

Finally, the trading of individual unit holdings within a secondary market would provide benchmarks of value which would be of great benefit in guiding valuations.

"Valuations could become far more reflective of a market and, far less, the subjective opinion of highly qualified individuals," Mr Vaughan says.

Mr Andrew Gulliford, of Healey & Baker, says that if unitisation gives the smaller investor a chance of purchasing a stake in a building he would otherwise be unable to contemplate, then this must be healthy.

"It is then up to the manager of the unit trust to provide a simple and effective means for the trading of units in each individual property."

A paper which saw a market similar in concept to the Stock Exchange was produced by Mr Christopher Jones, managing partner of Drivers Jones. Markets would be made through a property unit exchange and, implicitly the operation of supply and demand, rather than the buy-back facility employed by existing property unit trust managers on the basis of evaluation calculations.

Mr Vaughan and his team seem to be thinking along similar lines. "It might represent a suitable long-term objective," he says.

"I am not doing this for institutions which will be able to sell illiquid properties as a result. I accept that there will have to be strong safeguards, especially strong for the small investor, but the best safeguard is an open, free market in property."

"It might be argued that the RICS is merely seeking another outlet for the services of their members. This would ignore the fact that by opening the market more widely and demonstrating its workings more clearly, other financial advisers would be able to operate in the market with greater freedom."

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"We are always searching for threads of information which could give early warning of trends."

However, he also suggested that a louder voice should be raised against the "insidiously growing" pressure for short-



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UK Property 3

In a sector divided by ability and prospects, even the biggest names are threatened. Expanding groups are devouring others in the hunt for opportunities, Michael Cassell reports

Predators stalk the hybrids

Takeovers

THERE IS nothing quite like the prospect of an unwellcome takeover for smartening up the corporate image and sharpening a company's sense of survival. The property sector has seen a number of aggressive marriages during the last year but the takeover which has produced more column inches than the most publicity-hungry estate agent could ever dream of is the one that has not even happened.

In April, Stockley, the thriving property development and investment group run by Michael Broke, Stuart Lytton and Elliot Bernard and backed by Jacob Rothschild, picked up an all-important 22.5 per cent share stake in Stock Conversion, previously owned by family interests of the late Robert Clark, Stock Conversion's co-founder and former chairman. Together with Jacob Rothschild's private shareholding, the 27.5 per cent of the UK's largest (but arguably sleepest) property groups.

Unleashing

Stockley said it had no intention of bidding for Stock Conversion for at least six months, a stance which unleashed a wave of speculation now set to revive as the period expires. Stockley may either mount a full-scale bid (some believe it would be an over-ambitious move) or a takeover of the company's undoubted management skills, use its strategic stake to engineer a property swap or simply sell its share stake. It could, of course, simply hold its position for the time being. Whatever the intentions, it is the response of Stock Conversion to the potential Stockley

threat which represents the most illuminating aspect of the affair. Though the directors continue to deny it, preferring to suggest that Stock Conversion's revival represents the unleashing of in-house talent previously overshadowed by Mr Clark, the prospect of a fight for independence has provoked a remarkable transformation.

One of the most private of public property groups, Stock Conversion has this year been talking about itself and its ambitions in a way which Mr Clark would have found unnecessary and unacceptable. It has also managed to assemble an impressive list of potentially major developments which can now be brought on stream, although the group may have preferred not to talk about them or pursue them with any urgency.

The younger management, which has been given its head, displays a thorough understanding of the mechanics of modern property development and appears ready to adopt an aggressive portfolio management style which will extend to disposals as easily as it does to acquisitions.

If the quality of the 190-property portfolio is mixed and the group's recent asset performance has been disappointing, then shareholders — already reaping the benefit of a more generous but still overly cautious dividend policy — can look forward to the promise of more to come. Stockley's contribution towards the brighter outlook cannot be denied.

Though the prospect of a Stock Conversion amalgamation has been the biggest recent talking point, there have been other corporate takeovers and portfolio acquisitions to maintain interest in the sector. Perhaps the oddest was Liberty Life's bid for control of Capital & Counties unveiled in June. The South African life assur-

ance company, with a 29.7 per cent stake in Capco already under its belt, announced its bid after acquiring a small block of shares from British Rail pension fund and broadening the 30 per cent takeover code ceiling.

The bid was not, according to the South Africans, designed to take control and Capco told shareholders the offer was a poor one. Even so, by the end of July they had picked up about 90 per cent of Capco's ordinary shares. Capco will retain its separate listing and management and there is a good chance that Liberty Life's holding will be gradually diluted.

Other deals were more straightforward. Greystar City Estates made an agreed bid for Churchbury Estates and its quoted subsidiary Law Land, in a move to enlarge its asset base without significant dilution. The expanded equity and profit base will enable the group to continue expansion and retain a greater share in developments.

Cash-rich

Greystar has a strong management team (its plans to raise the level of retail exposure make excellent sense) a modern portfolio and a high quality development programme. The Churchbury deal will help fulfil its ambitions.

There was less stock market optimism for MEPC's £112.5m acquisition of the English Property Corporation portfolio, a package of property owned by Olympia and York which had been on the market for some time. The takeover was examined.

The issue of shares in part-payment by a cash-rich company raised a few eyebrows around the City, though the deal went through. The takeover was a long way from meeting some concern that MEPC was finding it harder to maintain the momentum of recent years. It

is a fear which the group denies, pointing to a large domestic development schedule and an active programme of portfolio management.

The EPC portfolio will give it plenty of scope for fresh development activity, although some of the properties are unlikely to remain long in the MEPC's hands.

Another significant portfolio acquisition centred on Peachey Property's purchase of Lloyds Bank Property for just over £22m. The move provided an ever-astute Peachey with the chance to pick up some attractive retail and office property around the country.

The company believes there is little need for weeding out and that it has acquired a portfolio for a good price, offering scope for rising rental income and capital values. The next phase in its expansion, therefore, has been painlessly secured.

The future might not be so painless for others, particularly those who do not have the resources to buy the next round of work. For some the chances of continuing independence look slim, given their lack of management expertise and financial backup—and, as importantly, their potential attraction from expanding groups seeking asset backing and development opportunities.

According to Mr Nicholas Owen, senior partner at agents Herring Son & Daw: "Many of the older, quoted property companies are at risk of take-over once family control is reduced because they are hybrids."

"They were created before Corporation Tax and the reverse yield gap. They grew on cheap money but had to turn to trading in cover borrowing costs. Now they are neither attractive investment vehicles nor top quality traders. They are set to wither."

The gulf in the prospects of individual property developers has continued to grow

Caught on the hop by revolution

Performance

WHILE THE UK property market has become increasingly characterised by the widening divide, so the gulf in performance and prospects between individual property developers has continued to grow.

The recent problems of the property market have been clearly reflected in the fortunes of the major property groups, highlighting the inherent weaknesses of some and the strengths of others. The big shakeout has forced developers to rethink strategies which recent events have often shown to be dangerously outdated.

Few would dare admit it but the property market revolution, which has ended years of landlord dominance and left occupiers with the upper hand and fresh property demands, caught many companies on the hop.

The widespread belief that the commercial property scene was merely passing through another of the supply-and-demand cycles which have become part of its history has been painfully disproved. The extent of structural changes in the British economy and their impact on occupational require-

ments appear to have permanently altered the rules of development and ownership. Companies failing to recognise the fact could find themselves out of the game.

The ranks of UK property developers have split into several categories. Apart from the institutions, most of whom have until recently cut or even abandoned new property investment, the corporate sector has rarely appeared more divided in terms of ability or prospects.

Enthusiastic

The advent of a new breed of merchant developer has proved refreshing at a time when institutional dominance of the investment and development markets had introduced predictability. The latest generation of developers has combined property expertise and financing skills to create investment opportunities out of situations which have eluded competitors with a more traditional approach.

Today's pace-setters have rekindled the spirit which formed the driving force behind the property industry's early post-war development and run-away success. Their ability to put together development deals and supporting financial packages is beyond doubt, though there are differing views on the

quality of some property being developed and their ability to stand the test of time.

In addition, an enthusiastic City of London following has sometimes been built up more on expectations than past record and the pressure will be on some high-fliers to produce results which justify their ratings.

The property sector stars are not hard to identify. They have made their impact through a form of innovative, active management which has been in short supply since the market collapse at the beginning of the 1970s.

Names like Stockley, London & Edinburgh Trust and Rosehaugh have moved quickly to exploit an approach to property investment which generally entails minimal in-house risk yet offers the chance of significant participation in developments. Close behind come comparatively small but ambitious and skilled development operations like Peel Holdings, Erida Hall and Arlington Securities. Each has chosen to concentrate on specific sectors of the development market.

It may seem astonishing to those with little knowledge of the property market, but one of the keys to the success of the newly-emerged developers lies simply in their willingness to do thorough research. One of the principal criticisms of the development sector

has been its reluctance to acknowledge changing trends and to continue to believe that it is in a better position than its clients to judge what is appropriate. Institutional predominance must be held partially to blame, with developers building to meet the demands of funds rather than of occupiers.

Preliminary market research backed by a detailed analysis of occupational requirements has enabled the more thoughtful developers to create property with an immediate appeal. This enhances the prospects of pre-letting and early income.

Liability

A benefit automatically extended to the latest generation of developers is the absence of large, historically-held portfolios, where deteriorating rental and capital performance has been stemmed by a fresh (and sometimes substantial) injection of funds.

Several long-established investment groups have been slowly waking up to the fact that a growing proportion of their property portfolios is becoming a liability rather than an asset. This is only being reflected partially in current valuations and will have an increasingly crucial impact on performance.

Few major companies can claim not to own such properties but their presence is invariably seen as less important than management's ability to do something constructive about them.

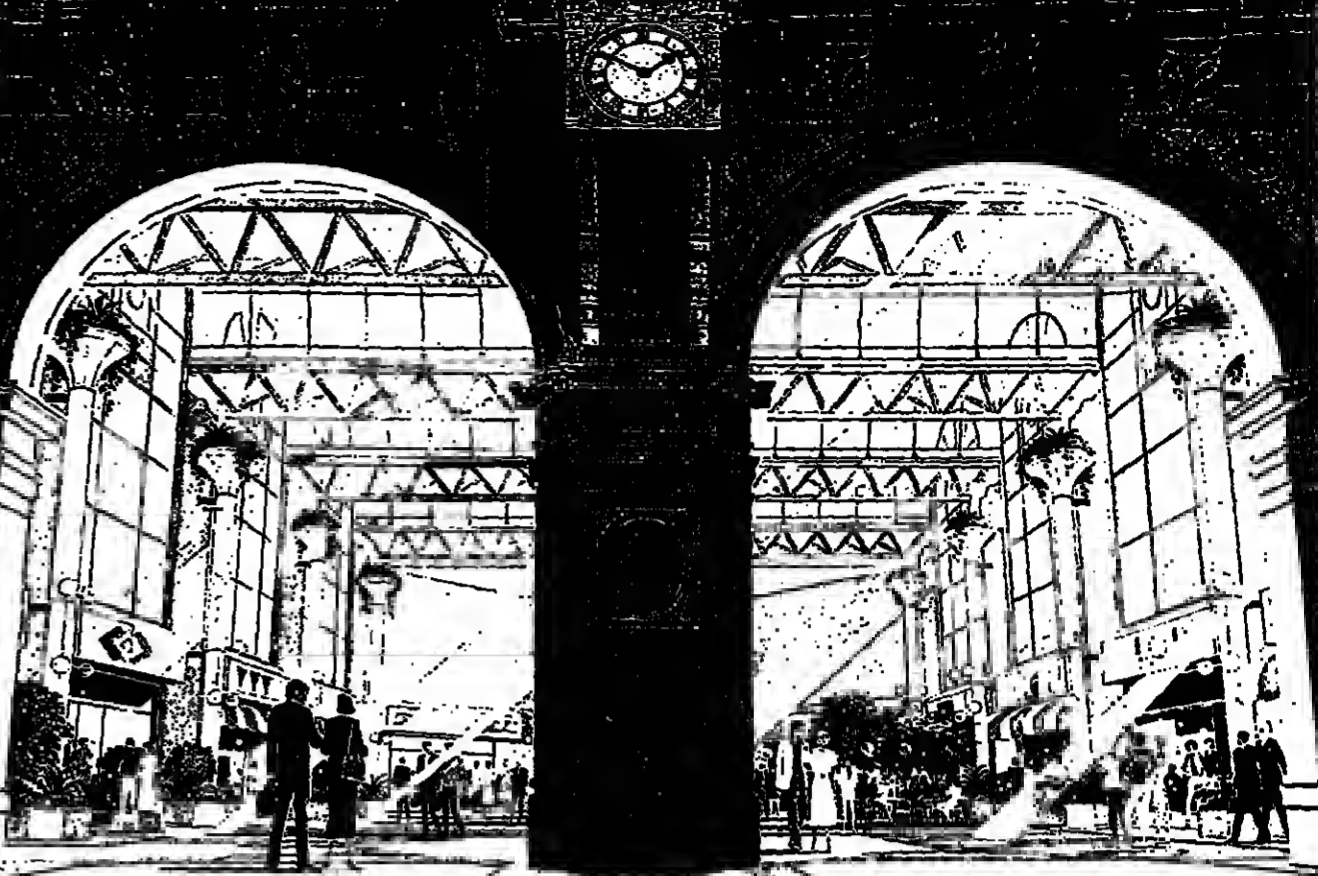
The days of passive rent-collecting are over and active management is a crucial prerequisite for success. Some giants of the development sector are still perceived as too sleepy, although few have failed to embark on portfolio re-appraisal aimed at weeding out problem properties.

Land Securities, the largest UK developer, which has an investment portfolio in excess of £2bn, provides an excellent example of the dilemma facing old-style companies in a rapidly-changing market. Any company of its size encounters difficulties in adding value to its income and asset profile at an above average rate. The principal method is the continual "massaging" of its portfolio.

Land Securities' efforts have, in the words of one stockbroker, been "fatal to any the least." In spite of the more active approach towards portfolio management, the City appears unconvinced that its recent period of underperformance is about to come to an end.

As the same broker commented: "No longer is it satisfactory simply to be the biggest within an industry, that is demanding the best."

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UK Property 4

David Lawson and William Cochrane examine the main factors influencing markets and development trends

Land prices may burn fingers

Industry/High-tech

A COUPLE of years ago, property investors and local planners started to receive a barrage of criticism from agents over their small-scale developments of modern, high-tech buildings to suit the needs of modern, high-tech industry. They seemed addicted to producing standard "sheds" more suited to distribution and old-fashioned production — even though vast numbers lay empty. Today, to the horror of these agents, the message has been taken up with almost evangelical zeal. High-tech schemes are sprouting like weeds from almost every available site in the prosperous South. Land values have soared to £1m an acre in some parts of the Home Counties as institutions and developers scramble for the chance to offer shiny glass boxes in the expectation of rents of between £8 and £10 a sq ft.

of over-supply and choice of the wrong sites in many cases. "Fingers will be burnt," says Jones Lang Wootton. The best high-tech schemes with all the attributes of flexibility, parking and most of all — correct location will let at high rents, adds Clive Lewis & Partners but many sites considered worth £1m an acre will decrease in value by up to half to be sold for ordinary warehousing and industry. Ironically, just as demand for traditional accommodation is reviving, they are being ignored or priced out by the soaring land values. And funds are being accused of pouring money into very secondary sites or developing so-called modern buildings that will not let. "There will not be sufficient growth to justify prices being paid, and in many cases there will be more growth in well-located industrial and warehouse estates rather than inferior high technology buildings," says Grant & Partners. Investors, however, are being driven onwards by the evidence of high rents achieved in schemes already built. Wordle, for example, took 95,000 sq ft at Slough for £8.50 a sq ft and Hewlett Packard some 100,000 sq ft at Bracknell for £10 a sq ft. Clive Lewis points out that rents in these prime areas have grown from £5 or £6 a sq ft only two or three years ago. Grant also points to the Rediffusion Simulation lease for 30,000 sq ft of shed with 50 per cent offices for £6.50 a sq ft at Altrincham, which compared with the normal £4.50 a sq ft for standard space, showing the interest in busy industrial areas. Yet the agents castigates planners for trying to latch onto the employment of high-tech by allocating unsuitable built-up sites in London. While developers are concentrating on this rich sector, the tide seems to be turning a little for traditional property. Rents measured to date this spring increased by more than inflation for the first time since 1979, according to the Debenham Tewson & Chinnocks annual survey — an average of 7.6 per cent for 24 centres around the country. Take-up of space has improved, even though the King & Co census shows that available space had risen marginally to 135.5m by the summer. This take-up, plus the dearth of development outside high-tech, has led Hillier Parker to forecast that the continuous reduction in real rents that has persisted since 1979 should end this year, followed by a slight rise. At current prices this would mean a 6 per cent annualised rise between May 1985 and November next year. Even in traditional property, however, most of the growth is in the South-east, and the North-South gap is widening. Mr John Organ of Healey & Baker points out the two-tier nature of the market. In the South-east there will soon be a shortage of standard 5,000 to 10,000 sq ft units because of high land prices. Demand is also strong for 20,000 to 45,000 sq ft units with 25 per cent office space, half of it from overseas companies — and for 100,000 sq ft plus warehouses near motorways. Away from the motorways (particularly in the provinces) space remains unlet on speculative industrial estates. As an indicator of demand, land is in reasonable supply at prices from £20,000 to £100,000 per acre. D. L.

Bias to South continues

Offices

A GENTLE improvement in demand for office space across the country has tended to be lost in the overhang of space which is proving increasingly unattractive to quality-conscious tenants and also in the flurry of activity in the South-east. While the Healey & Baker rent index showed an 8.4 per cent growth for the country as a whole for the year to June, most provincial centres have been stagnating or realising increases from unattractively low base levels. This continues a picture painted by Debenham Tewson & Chinnocks of only a handful of towns in Bristol, Glasgow and Manchester producing returns close to or better than inflation since 1981. But strategic shortages in centres like Leeds and Birmingham as demand eats away vacant space with little development in store, so further increases in rents seem probable. Frantic activity in the City of London in reaction to the securities industry revolution has dominated the market, with Jones Lang Wootton's CLOR report showing a 176 per cent increase in take-up compared with a 47 per cent increase for central London as a whole in the first six months of this year. Most demand has been for the large buildings suitable for combining new financial partnerships. These blocks tend to be clustered around the City fringes, raising fears that the core may suffer. Richard Ellis, however, expects prime rents to grow 10 to 15 per cent in the core this year, and have already reached £33 a sq ft. The CLOR report says West End take-up of new space is down on the latter half of 1984, but Richard Ellis points out the decline of total supply from 5m sq ft to about 3.5m over two years and the rise in rents between £28 and £30 in parts of Mayfair and St James's. The M25 has boosted fortunes of the ring of centres around London, and the Western Area is continuing to let tenants at rents up to £15 a sq ft for the best buildings. D. L.

The importance of image

Industrial development

WILL THE industrial property of the future be an amalgam of manufacturing, storage, r & d and office space, or is this just a way to inflate rents? Will the occupant want homely surroundings, or dramatic buildings in steel, plastic and glass? Mr Paul Orchard-Lisle, president of the Royal Institution of Chartered Surveyors, says we will be talking about "employment property" in the future and worrying less about sub-classifications. On shape and building forms, Mr Stuart Lipton, driving force behind the massive Stockley Park industrial development proposed west of London, says: "High-tech is low-tech in terms of buildings." He and his advisers have studied modern industrial property across the U.S., finding that homely, brick-built exteriors, but office-type space facilities and general levels of interior comfort seem to be the way forward. Stockley Park's 347 acres are strategically located near the M4, M40 and M25, the Airport, the InterCity railway line to the West Country and two London Transport underground lines to Heathrow Central and Uxbridge. The development team aims to be an inward-looking community related to open space amenities. It hopes to form a focus for the scheme by establishing a centre with shops, restaurants, a pub, bank, management and leisure facilities. Expectations Open spaces will include a golf course, playing fields, playground, equestrian facilities, a canalised park and opportunities for other users. Buildings for the site go up to a maximum of 1.5m sq ft and Stockley's market research suggests certain characteristics in relation to technological industry requirements. Some of these include: ● Buildings with good natural light and only 60 ft wide. ● Groupings around courtyards. ● Parking screened by buildings and landscaping. ● Buildings related to open space amenities, especially water. In a report for Stockley on the needs of modern industry, research consultants and space planners DEGW said that growing knowledge-based firms wished to develop themselves in the market by presenting an identifiable external image, and through the quality and character of buildings. "Companies vary in their expectations of building on their side of life," they said. "At the moment their main concern is to establish a product or service."

On growth prospects, their conclusions suggest flaws in any specialist approach to letting. "Expectations are that opportunities for growth will be in the high-tech sectors. However, it is clear that within the high tech growth sectors many companies are declining and that individual companies are succeeding." DEGW note that URBED's research for Stockley into the future of the London economy suggests that the answer lies where growth may arrive lies not in a particular industrial sector or type of technology, but in the type of business which can ride the waves of rapid change. Successful companies appear to have several characteristics in common. They are: innovative, and concerned with the application of knowledge; independent on global connections; sensitive to market trends and customer services; Specialist within precisely defined markets; and Committed to excellence. Shells DEGW conclude that the development at Stockley Park should provide: ● Small, flexible, units for infant, fast-growing firms, as well as large independent plots for mature and established firms to build to their own requirements. ● Flexible tenure arrangements to allow for growth and movement. ● Basic building shells which can be fitted out specifically to meet individual requirements, with overall cost savings. ● Support services and site management to ease the management burden of young companies and ensure the quality of the location for established companies. Prospective tenants, DEGW discovered, wanted flexibility of use, adaptable spaces and room for services like information technology. Ease of service and security attracted them to two and three-storey buildings with the capability of zoning in to separate customer and staff areas. They also want room for expansion, adequate parking and space for deliveries. Only three of 26 interviewees in the electronics, hardware, pharmaceutical, control and instrumentation, and information sectors considered landscaping and site image of first importance, although most assumed it to be desirable. "The general attitude was that the companies were not looking for flashy modern or trendy high-tech buildings, which looked (and might be) expensive," DEGW say. "They were concerned to present a clean, up-to-date, value-for-money image."

will want to be," Rosehaugh Stanhope says. Inside the buildings will be oversized goods lifts and loading docks; and provision will be made for up-to-date communications technology. In addition to telephone, telex, facsimile lines and video conferencing, high-speed data links will be provided if required. The buildings will be linked to a 24-hour central point for security, fire control and equipment maintenance. Each building will be completed in shell condition. Occupiers can choose a standard specification for such items as raised floors, suspended ceilings, lighting, etc., or have the floors fitted out to their own specifications with contribution from Rosehaugh Stanhope to the costs. Special consideration has been given to energy efficiency and service charges are anticipated to be less than \$3 per sq ft per annum. Letting agents Jones Lang Wootton, Healey & Baker and Matthews Goodman & Partners have had a fair start to their endeavours, with Security Pacific leasing the whole of the 150,000 sq ft first phase of the development, and the financial services arm of American Express in for the 310,000 sq ft Phase 2. W. C.

Anxious eyes look out of town

Retail

THE SEEMINGLY insatiable appetite of the British public to buy almost everything shopkeepers will offer has been matched again this year by the parallel demand by owners for higher rents to match the increases in spending power. Consequently, the country's high streets remain a competitive hunting ground for investors, although average yields have twitched upwards in what may be the first signs of a realisation that the rise in returns cannot continue at such a rate. Prime rents rose by 9.5 per cent in the year to June on the back of a 10 per cent increase in retail spending, according to Healey & Baker. The long-term attraction of the sector was shown by Debenham Tewson & Chinnocks' analysis that retail has shown a 21 per cent annual return since 1977 (8 per cent real annual) compared with the 12 per cent of the whole property sector. Behind the almost casual acceptance of continuing improvement in income, however, anxious eyes are being turned to radical changes in the structure of the market. The trend towards out-of-town developments — particularly the proposed retail or "jumbo" parks — is causing a few tremors among investors with money tied up in town centres. This is often invested at very low yields and will need some years of rising rents to make sense. Nightmares about deserted town centres are unfounded, according to most analysts. Traditions of town-centre shopping for comparison goods are unlikely to alter in this country, Healey & Baker says. But better judgment on the prospects for each individual town centre will be needed when buying investments. This is reflected in the fact that Debenham Tewson & Chinnocks doubts whether the recent spectacular rental growth in some provincial can be sustained in the face of continuing economic problems. But the same need for care could be extended to more prosperous towns. Some 45 shopping centres are being built, and with new roads like the M25 competition is becoming increasingly intense for customers. Quality of property is becoming as important as location as an attraction for custom. Decentralised retailing has become a market in its own right through three stages of evolution, H & B says: first were the DIY stores in converted warehouse on industrial estates; then came the still-popular purpose-built units on main roads, and now retail parks are forming. Rent levels for non-food stores are regional rather than local but cover a remarkably limited range from lows of £3.50 a sq ft in the provinces to £6 in west London. Institutions are beginning to accept investments free of the

old ties to warehouse rents, and Jones Lang Wootton says yields have fallen from between 9 and 10 per cent to 7 to 8 per cent. Foodstores are still difficult to finance and are usually finding their own cash to pay for sites at up to £2m per acre. In the high streets, shortage of prime shops has brought premiums of £75,000 to £125,000 for standard units in centres like Reading, Guildford and Kingston, according to Mr Paul Gale of Smith Matlack. This shows that operators like fashion retailers and restaurant chains are unimpressed by moves out of town. Central London has seen dramatic improvements with premiums of £100,000 to £200,000 the norm, and Healey & Baker points out that Oxford Street should see even better times ahead. It showed that retail rises lag about a year behind increases in numbers of overseas visitors, so even if tourism growth falls off in 1986 the rise in income should continue. D. L.

City at sharp end of revolution

Office development

THE CITY of London is at the sharp end of office property development in recent years the advent of information technology, the power of the occupier, rising occupation costs and restricted development in the City core have led some pundits to revive the spectre of decentralisation — or even predict that City specialists will be working from computer terminals at home in future. What does seem to have happened is that occupiers in the financial, professional services and similar sectors have confirmed their need for the big urban core and become less choosy about locations and more exacting about the quality of accommodation. "Unprecedented change is re-creating the City," says DEGW, research consultants in a report for Rosehaugh Stanhope Developments, which is redeveloping Liverpool Street and Broad Street, in partnership with the British Rail Property Board in a way that takes account of market changes. "The main building features required by financial services industry are: ● A convenient (though not necessarily central) location and a strong and identifiable building image. ● Floors of at least 10,000 sq ft of usable space and preferably up to 30,000 sq ft, with a depth of 50 to 55 ft windows to windows. ● Structural floor-to-floor height preferably of 12 ft 9 in, and finished floor-to-ceiling height of at least 8 ft 6 in or preferably 9 ft. ● Well-serviced buildings with decentralised heating, ventilation and air-conditioning (HVAC), adequate vertical ducts, provision for raised floors, zoned control of lighting, power and HVAC. ● Value for money and low operating costs. Dealing floors should be preferably 4 ft deep or more, and square, DEGW says. The structural grid should be at least 25 ft, with sufficient depth to allow for higher-than-average raised and stepped floors. Air conditioning should be able to handle high local loads for cooling and there should be space adjacent to the dealing area for telecom and data equipment rooms and adequate cabling. The DEGW development at Liverpool Street, called Broadgate, will comprise four buildings, totalling 925,000 sq ft of net space with typical floor sizes ranging from 21,000 sq ft to 45,000 sq ft. Rosehaugh Stanhope say the 10-acre site has been planned not just as a series of blocks but mainly around the movement of the large number of pedestrians who would enter

jobbers, UK merchant banks and international investment banks, leading to a sudden demand for large units of new office space of superior quality. Modern requirements for buildings are no longer just so much square footage. "They are becoming the infrastructure of services on which the emerging financial services industry depends," DEGW say. "Telecommunications place severe demands on buildings — particularly the need for standby power, clean and uninterrupted power supply, sufficient underfloor and duct space for cabling, easy access to cabling, and means of coping with high local heat loads from equipment by local air conditioning." The main building features required by financial services industry are: ● A convenient (though not necessarily central) location and a strong and identifiable building image. ● Floors of at least 10,000 sq ft of usable space and preferably up to 30,000 sq ft, with a depth of 50 to 55 ft windows to windows. ● Structural floor-to-floor height preferably of 12 ft 9 in, and finished floor-to-ceiling height of at least 8 ft 6 in or preferably 9 ft. ● Well-serviced buildings with decentralised heating, ventilation and air-conditioning (HVAC), adequate vertical ducts, provision for raised floors, zoned control of lighting, power and HVAC. ● Value for money and low operating costs. Dealing floors should be preferably 4 ft deep or more, and square, DEGW says. The structural grid should be at least 25 ft, with sufficient depth to allow for higher-than-average raised and stepped floors. Air conditioning should be able to handle high local loads for cooling and there should be space adjacent to the dealing area for telecom and data equipment rooms and adequate cabling. The DEGW development at Liverpool Street, called Broadgate, will comprise four buildings, totalling 925,000 sq ft of net space with typical floor sizes ranging from 21,000 sq ft to 45,000 sq ft. Rosehaugh Stanhope say the 10-acre site has been planned not just as a series of blocks but mainly around the movement of the large number of pedestrians who would enter

the site from the new station concourse. The pedestrian route will be lined with shops and eating places. These routes include two new squares, the larger designed as an opening for the route. The route will be reinforced by landscaping and changes of level within the square, which will serve as a focal point for the buildings. Central to the design of the larger square is a three-storey circular stone screen which will be extensively planted and will incorporate a restaurant and promenade at first-floor level. Identity Access to buildings around the screen will be for taxis and VIP vehicles, while private car parks and service roads will be below ground, essentially pedestrianising the area. The larger square will form a natural amphitheatre for activities including open-air theatre, concerts, and ice skating. "The 10-acre site at Broadgate is probably the last remaining City site large enough to create an identity all of its own, designed not as a typical city rent-slab, but as a place where every attempt has and will be made to create an atmosphere where people

will want to be," Rosehaugh Stanhope says. Inside the buildings will be oversized goods lifts and loading docks; and provision will be made for up-to-date communications technology. In addition to telephone, telex, facsimile lines and video conferencing, high-speed data links will be provided if required. The buildings will be linked to a 24-hour central point for security, fire control and equipment maintenance. Each building will be completed in shell condition. Occupiers can choose a standard specification for such items as raised floors, suspended ceilings, lighting, etc., or have the floors fitted out to their own specifications with contribution from Rosehaugh Stanhope to the costs. Special consideration has been given to energy efficiency and service charges are anticipated to be less than \$3 per sq ft per annum. Letting agents Jones Lang Wootton, Healey & Baker and Matthews Goodman & Partners have had a fair start to their endeavours, with Security Pacific leasing the whole of the 150,000 sq ft first phase of the development, and the financial services arm of American Express in for the 310,000 sq ft Phase 2. W. C.

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UK Property 5

William Cochrane talks to some of the players in the property game

Building with the brothers

MR DAVID LEWIS met the Beckwith brothers about five or six years ago while building up Balfour Beatty's building business in the South-east. I had no involvement in development at that stage," said the London & Metropolitan Estates chief executive. "I saw the opportunity to get some negotiated building work and the Beckwiths, I suppose, saw advantages in a link with a major contractor."

Mr Lewis gave up his construction activities about three years ago to run London & Metropolitan, a joint company formed by the Beckwiths' London & Edinburgh Trust and Balfour Beatty.

It operates in the same market as L&M—retail, high tech, industrial and offices—and is now right at the sharp end with its 255,000 sq ft of office space in the City of London. This will have an estimated value of \$100m on completion, has funding from Norwich Union, and provided a £10m advance to the City of London.

Ropemaker was introduced to L & E by agents Miller Parker. "I happened to be in Peter Beckwith's office the day it came in. Five minutes later we were in the City looking at the site," Mr Lewis

The Developer

says. L & E's willingness to let this one go may have been conditioned by the capacity of the companies' respective development teams at that point.

Mr Lewis is building a strong project management team. Ropemaker will be managed in-house—something L & M almost invariably does. But its project management ambitions go further than that.

"I am anxious to undertake project management on schemes which we are not developing ourselves," L & M project manager, the Société Générale building at Gracechurch Street in the City, and it has another job in Reading.

"I have rejected the idea of outside project managers for our own developments," Mr Lewis says. "We can do better ourselves, and I am greatly attracted by having the whole range of management inside our organisation so we can keep a finger on the pulse of the industry."

On outside work, he says that L&M sees an opportunity

in a sector "where we think we can build up, and produce volume." He rejects any suggestion that project management will be used as a cushion to keep the management team employed.

"I've not had many problems in keeping people employed so far," he says.

And what of his relationship with Balfour Beatty, parent company and former employer, which invariably seems to get L&M's building work?

"We appoint a quantity surveyor from a range of candidates who will come up with a budget. We then attempt to negotiate within the budget. If we failed, we would go to tender."

He sees real value in the working relationship with Balfour, promoted on L&M's side by bringing in the best talent at the earliest moment to contribute to the design.

On costs, he says: "It would be naive to say that we could achieve a price by a very small percentage in the marketplace. But with most contracts, the sum tendered is inevitably not the final amount. Here, the budget and the final account are very similar."



David Lewis, chief executive of London & Metropolitan Estates

Jim Thornton, managing director of Ashby & Horner Team Contracts

Speculation on fitter furnishing

The Architect

FITTING OUT a new speculative development, only for the occupier to tear out the interior and start over again has irritated many in the property business.

Mr John Bevan, of architects GMW Partnership, thinks that many developers want a "spec" building which is all things to all people, so that letting agents can have the maximum scope.

"Agents like a marble entrance hall, bronze mirrors in the men's loo for emphasising sun rays and clear mirrors in the ladies for making-up," he quips.

Speculative offices should be fitted out only as shell and core before the space is let, but prototype areas of options should be installed on a show floor, illustrating different retail, restaurant and other uses.

Mr Bevan says. Some agents say clients want to move in immediately to a speculatively fitted-out office. But in GMW's experience this does not always work because different clients have different needs. Often the spec scheme has to be stripped out, and other fittings installed at great cost and in a rush.

The funder will often specify the standard of building required to protect his investment, and occupiers found for that standard of development.

"However, if it is pre-let to a big name like Boots, Marks & Spencer or Safeway, the occupier will be in a position to specify what he wants the developer to build," Mr Bevan says.

In industrial buildings researchers are rarely conscious of their surroundings and probably not worried whether they are surrounded by glass, plastic or brick.

"Brick is often talked about as a high-tech material," says Mr Bevan. "There is nothing wrong with brick, only in the way that it is used. The same applies to plastic and glass."

Much depends on whether a client wants an image. For example, STC had operated on a 27-acre site at Foots Cray for years in sub-standard buildings developing high technology products. GMW were asked to design a new water fabrication plant and support offices.

About 150,000 sq ft of office and production space were planned to a high specification but also to give the site a progressive and confident image, appropriate for a company hoping to sell state-of-the-art products in world markets.

The project, which is now under construction, is predominantly in white surfaced metal panels with clean flowing lines, says Mr Bevan. Details aim to project an image of the precision and clinical cleanliness characteristic of the production process within.

Designs on high standards

The Contractor

THERE IS nothing new about contractors moving into property development. However, Ashby & Horner has been around in building for 250 years, and it took a suitably cautious view of its entry into property development last year.

Known for its contractor's expertise in City of London refurbishments, A & H went to Hamersmith in partnership with Russell Management (Properties) to develop Vernon Mews, five self-contained office units totalling 8,500 sq ft.

Mr Jim Thornton, managing director of A & H Team Contracts, says: "The decision to move into promotion of developments was prompted by a concern to have more control over the workload, a desire to enhance profit and the discovery that being a work-giver cases relationships in the building team."

A & H also believes that it can have a positive input into the design of its developments. "The market is becoming more selective," Mr Thornton says.

Team Contracts acts as project manager. It does not carry out design work but selects the design team for each project with great care and expects consultants to work closely with A & H's craft subsidiaries on specifications and detailing.

"There is no reason why good design should cost significantly more than bad design," Mr Thornton says. "Any premium on building cost is compensated for by an enhanced sale price and a faster take-up."

Banked up for better analysis

MOST OF Mr Rupert Nabarro's career was spent doing urban economic work for government departments before he went to consultants Roger Tym to do the same sort of work. He moved into urban development and inner city issues in places like Glasgow and Liverpool, and noted that there was a great deal of information about public money, but little on the private sector.

He became interested in the quality of information available to the property industry. "The classical economist's role of improving information available to markets was urgently required in the property industry," he says.

The result was the Investment Property Databank, established to hold a record of the individual property investments of the major institutions. Information is held on a confidential basis so it is not possible to recognise the performance of any individual property or fund.

IPD being funded jointly by agents Chestertons, Chittons, Debenham Tewson & Chittons, Drapers Jonas, Savills and Weatherall Green & Smith, but the fundings can be bought by outsiders. Mr Nabarro is interested in whether the agents will get most of the benefit, or whether sectors like merchant banks will use it to make their mark on the property sector.

Three types of information are being collected about each property:

- A description of the institution and fund owning the property, including its beneficiaries, size, property holdings, allocation of money to property and means of managing it.
- A description of individual properties will cover their address, tenure, property sector, location, site situation, building type, facilities, condition at purchase, age, method of acquisition, vendor and

purchase price or development cost.

- An analysis of the main financial variables of each property for 1979-84 will cover capital value, rental value and rent passing, its usable and let space, annual capital and revenue expenditure, and (for shops) some details of Zone A returns.

IPD expects to hold the most detailed record of institutional property to have been assembled. Mr Nabarro expects the data to answer questions about trends in institutional investment, marketable size and market structure.

It should be able to show trends, perhaps expressed as indices, in rents and capital values for any market segment for which information exists, and show yields in different parts of the market.

The Economist

It will also provide accurate information about rents, vacancies, purchase prices, etc which can be used for background in investment decisions or for research to establish relationships between property performance and other variables.

Finally, it will provide a portfolio performance measurement service to contributing funds. Their own performance will be checked against the performance of institutional investment and they can compare the performance of any of their own properties with those in the market at large.

The groundwork has been going on for about a year. IPD expects to have collected records of some 5,000 properties valued at £70m by the end of August. The first publications of IPD will commence in the late autumn and the comprehensive analysis service will be launched next spring.

Prudent should shop around

RICHARD ELLIS set up its financial services team a year ago with a brief to look at the revolution in property financing. It has concluded that sales and leaseback forward commitment agreements with institutions so long the most common approach for most developers, is no longer the automatic choice.

According to the Central Statistical Office, net new investment in property by pension funds and insurance companies in 1984 was some £1.4bn, while total new bank lending to the property sector was some £1.1bn over the same period.

"The gap has closed considerably," says Mr Stephen Barter. He concedes that the institutions' recent "taste" for other forms of investment may have something to do with this. But the banks did not have to make up the difference.

Availability of short and medium-term bank finance on a non-recourse or limited recourse basis, combined with increasing use of syndication with and without institutional involvement has produced a situation where prudent developers can shop around, not only between methods of fund-

Funding Adviser

ing, but between sources of finance.

RE emphasises that this is not the beginning of another money-push development boom. Banks are selective in their choice of schemes but, for the right project, will show imaginative flexibility.

The team found events pushing them into considering the new emergence of the owner-occupier. In certain locations and for certain types of occupier, the costs involved in buying can compare favourably with those of leasing over the medium term, Mr Barter says.

RE applies particularly within "enterprise zones" in view of benefits including 100 per cent capital allowances on construction. However, the innovative application of certain types of financial instruments such as finance leases and corporate debt, stock issues to property development has encouraged many companies to consider owner-occupation in locations outside EZs.

There has been a reaction to the problems of government-

sponsored developers like English Estates and the Welsh Development Agency, where recent valuations in remote locations have produced open-market values considerably less than the cost of developing the building.

However, RE says that provincial owner-occupied developments can be an economic proposition. "We have just done a major warehouse in the East Midlands for an international company," Mr Barter says.

There may be a natural progression for the team from here into what Mr Barter calls the "tax property market"—enterprise zones, being one example and business expansion schemes another.

He sees a lot more to come in the funding area—innovations which will affect occupiers and investors, as well as developers. RE says the creation of an active market in unlisted property investment will be a game-changer. "This gets to the nub of the City revolution," Mr Barter says. "Merchant banks and others from the financial sector are exploring this area from one end of the market. We are approaching it from the other."

Competition to lead the team

Project Manager

PROJECT managers co-ordinate development or construction schemes. They define the projects and reconcile requirements of client, design team, main and sub-contractors, suppliers and specialist companies. They have to find the correct method of achieving the best results in terms of cost, quality and time, according to Mr Derek Hammond's APC/PMI group.

The architect is traditional team leader, but surveyors can lay claim where marketing and funding are concerned and the

quantity surveyor may be most appropriate when the project is essentially construction management for an owner-occupier. There are a number of other disciplines, or mixes of disciplines, which say they should all the project management role.

A working party headed by Mr Ian Northern of Capital &

Counties, president of the planning and development division of the Royal Institution of Chartered Surveyors will look at the development and promotion of the surveyor as project manager.

His experience with CapCo suggests that that overall control of a project, especially when it is speculative and brings in the marketing angle, is best left to the general practice surveyor. For construction management the quantity surveyor would probably be best, although he does not rule out an engineer in this role.

CapCo was appointed project manager of the Crown Estate's 518m Victoria Street office shop and residential development this year, after the completion and letting of the Commissioners' mixed development at Oxford Street which it also managed.

Mr Brian Jolly, development manager, says a development company has to decide whether project management pays dividends to shareholders. CapCo does not volunteer for this sort of work for this reason, but the Crown is an important landlord and the right sort of project can give a useful education.

"Victoria Street has been challenging," Mr Jolly says. "We have not been in the vanguard of steel-framed buildings, so we have learned a great deal from this job."

Mr Rodney Pollard, property investment manager at Royal London Mutual Assurance, says the fund occasionally uses a developer as a project manager. This is a happening with Mr Ken Cooper of Russell Management, who found the Swindon site for Royal London's high-tech development called 355.

The fund manages some of its own schemes using what Mr Pollard describes as an in-house generalist—a surveyor within his own team.

When Royal London looks outside it usually opts for a quantity surveyor.

"There are some funds which employ outsiders, and tend to go for the general practice surveyor—but we have done that too," he says.

For example Royal London's major redevelopment and re-letting of Triton Court on the northern fringe of the City of London was managed by surveyors Richard Ellis.

Colourful contrast need not be costly

Interior Designer

SOME £25m was spent on a 150,000 sq ft neuroscience research centre at Harlow, Essex, by Merck Sharp & Dohme Research Laboratories.

As the centre was being built, the company began to have second thoughts about the internal design. "We bought a parkland-type setting, and wanted an exterior which would blend with it, but we decided that the interior should be completely different," the company said.

"If it were the same—rustic, woody, brick-faced—there would be no change of scene for the employees in going outdoors."

The working environment for the planned 220 staff had to be efficient, functional and up-to-date—but also pleasant. Much of the work on designs and detailed specifications by consultants David Lees & Partners was limited to colours, furnishings and accessories because building work was already well under way.

Lees say that modern interiors in general want forward-looking design. "International organisations operate in a sophisticated and dynamic world. They are receptive to the use of innovative materials and technological advances," the designers say.

Merck emphasises that the design decision was taken for the benefit of staff and adds that good design is not such a costly business as some fear.

"People associate what is pleasant with cost but you can change the colour of paint and the cost stays the same."

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THE PROPERTY MARKET BY WILLIAM COCHRANE

Mattel squares the circle

THE numbers are against industrial development north of Watford. Geoffrey Castle, senior partner of agents Dron and Wright, notes that developers are finding it difficult to obtain adequate returns. Because of high interest rates, he says, they have needed a yield of over 12 per cent on total costs. "The rental levels in many areas north of the South East are little more than £2 per sq ft," he says, "which would not show a sufficient return on building costs, let alone site costs."

So speculative development, with a view to institutional funding, is a very difficult proposition. And the owner occupier? Mr Castle points out the recent valuations for the Welsh Development Agency and English Estates have produced open market values considerably lower than development costs. Mr Castle is concentrating on factories, rather than warehouses, and he is not saying that industrial development is impossible north of the Watford line. But it is clear that prospective occupiers, as well as developers, will have to be resourceful.

Mattel, the U.S. toy manufacturer, briefed Richard Ellis to find a site to house its UK warehousing, operations, finance, sales, administration, marketing and a showroom. "We looked at the M4," says Hugh Ellingham of RE's financial services division. "It didn't stack up in terms of cost and it was in the wrong location for central distribution."

So the team when for the AH Wilson Group's Meridian Park, flanking the M1 near Leicester. Geographical location was an obvious first attraction. A greenfield site was the second: "We shouldn't see any redevelopment going on there for 20 years or more," says Mr Ellingham.

The building is 98,000 sq ft, including 16,000 sq ft of offices, on 7 acres of the 72 acre park—which could be due for an extension. The warehouse is 80,000 sq ft of that, but it is 40 ft high which gives it a 3.2m cubic ft content which Mattel can exploit with modern racking systems.

Mr Ellingham contends that if Mattel had gone for institutional funding and a lease it would have had to be content with 20 ft of eaves or not much higher, and racking systems costing at least 1½ times as much.

Like Mr Castle he thinks he would have been looking at double figure funding yields with restrictive clauses on any lease, whereas the package which Mattel and Ellis have tied up for the £3.9m building is for a medium term (seven year) Bank of America loan with a three year holiday on repayment of capital and the ability to buy out the loan early.

"That gives us the ability to lease to someone else and retain the investment; to lease part of the building; to sell the freehold vacant to another occupier; to sell and leaseback;

and so on," he says. In terms of costs, the building's height makes all the difference. Taking in the offices, the cost for the entire building is £40.82 a sq ft. But Mattel has given itself the equivalent of a 176,000 sq ft building in terms of cubic capacity, bringing the cost per sq ft down to £22.16.

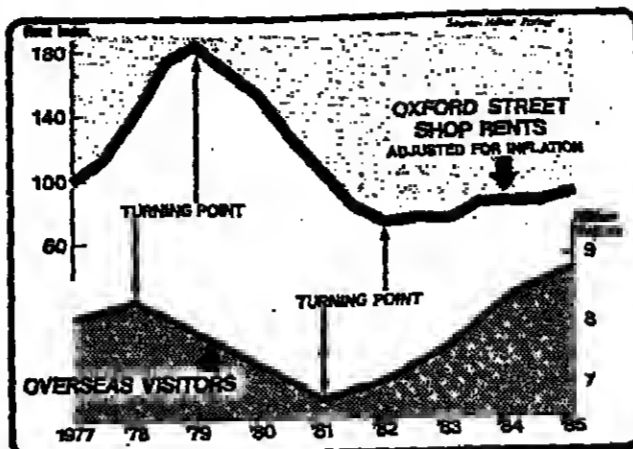
"Building costs alone are, say £20 to £22 a foot for a standard building," says Mr Ellingham. "Our figure includes land, building and finance costs, the developer's profit and professional fees."

Then there is the question of valuation. Mr Ellingham has done his sums on both 8 per cent, and 10 per cent investment yield bases. Again, on the basis of 98,000 sq ft the rent would have to be £3.25 a sq ft on a 8 per cent basis, and £4.06 at 10 against a conventional unit rent which he estimates at between £2.25 and £2.50 a foot.

Adjusting for cubic capacity Mattel's figures come out at £1.77 and £2.22 per sq ft respectively, which suggests to him that the building will hold its value.

John Coulter, managing director of Mattel UK, says that the company's total investment will be £4.2m, with its racking and fork-lift trucks all leased. Other owner-occupiers might spend 2½ times the property cost on the building's contents, making property a less important factor in the overall investment.

Tourist trophy



THE chart above, says RHLER Parker research chief Russell Schiller, shows a clear relationship between the number of overseas visitors to London and the movement of inflation adjusted shop rents in Oxford Street, the prime West End

pitch. If this relationship holds, it would suggest that Oxford Street shop rents should continue to rise ahead of inflation for the next year, even if the number of overseas visitors peaks in 1985.

Fleet National Bank move

FLEET National Bank, London offshoot of the U.S. \$6bn Fleet Financial services group of New England, has taken a lease on 40/41 St Andrews Hill in the City of London in a move which has virtually cut its occupational costs in half.

Advised by Noel Alexander and Partners, Fleet was last reported to be moving out of 53 Cannon Street where it had

leased one floor of 4,000 sq ft and was paying a service charge reputed to be in the area of £8 to £9 a foot. St Andrews Hill, recently the subject of a major refurbishment by CNC Developments, gives Fleet 3,200 sq ft of self-contained, period space; overall running costs are estimated at just over £100,000 a year against upwards of £185,000 for Cannon Street.

Accountant seeks pole position

THE CITY revolution, the scope for takeover bids in the property company sector, the RICS' unification plans, and the emerging problem of obsolescence suggest that the accountant will have a bigger role to play in tomorrow's property industry.

Philip Sober, recently appointed senior partner of Stoy Hayward, is aiming for pole position. The firm, part of the Horwath and Horwath international network of accounting firms, claims to be one of the leading accountants in property — "We'll let other people say that we're No. 1," he says.

On the City revolution, he thinks that as the financial services market gets broader and broader, it will be important for accountants to define their services more specifically for property specialists in our field...we can't be all things to all men," he declares. Adviser to the British Property Federation since 1973-74, he expects to advise on takeover, or bid defence strategy.

His strong views on the capitalisation of development interest — "I do believe that proper capitalisation is essential in arriving at true costs" — is a reminder, if one were needed in the context of the shimmering Stockley/Stock Conversion situation, that fashioning change in accounting, as well as in the stock market.

Haslemere signs Merrill Lynch

HASLEMERE Estates and Trustee Savings Bank Pension Scheme have let the remaining floors of their new 60,000 sq ft office development at Sherborne House, 119-121 Cannon Street in the City of London, to Merrill Lynch Europe for close to the asking rental of £32 per sq ft.

Merrill Lynch, advised by Jones Lang Wootton, has signed a new 25-year lease for 23,000 sq ft, in which it will have its UK equities operation. Hillier Parker, Collier & Mudge and Gerald Archer & Co acted jointly for Haslemere and TSB Pensions. Property Finance, in the first deal since its team left Chase Manhattan, has arranged a £5m syndicated bank and equity finance facility for Sherborne Securities International to develop some 78,000 sq ft of high tech space next to British Caledonian headquarters at Crawley, West Sussex.

This week, as the London Borough of Havering decided to nominate J. Sainsbury/Trafalgar House as the council's preferred development team for the Mercury Gardens site in Romford town centre — incorporating 75,000 sq ft superstore, speciality shopping and parking for 1,000 cars — Tesco got planning permission on appeal for a

65,000 sq ft superstore with 600 car park spaces on a seven-acre site at Roneo Corner.

The council, advised by Hillier Parker, had apparently bitten the bullet on superstore provision, but it wanted its sites scattered, rather than centralised as the Tesco permission seems to achieve. King & Co acted for Roneo Alcatel.

Record demand for office accommodation and severe pressure on industrial space is reported by Drivers Jones in its half-yearly "Aberdeen Commercial and Industrial Property Survey."

Langley-Taylor, acting for Sears Holdings and Samuel Properties as joint investors, have let a 110,000 sq ft office development close to Los Angeles International Airport to Hughes Aircraft Corporation. Marketing began less than three months ago and the rent is in the region of £20 per sq ft.

Following its takeover of Trident Life, already based in Gloucester, Imperial Life Assurance of Canada is to establish a new 100,000 sq ft headquarters office on the city's 70 acre Barnwood Fields site, say selling agents Straton Knowles. Debenham Tewson and Chinnocks acquired the seven-acre site for its Canadian principal.

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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Friday September 20 1985

TAYLOR
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U.S. CUSTOM SEMICONDUCTOR MAKER PUSHES AHEAD WITH EXPANSION PLANS

LSI Logic plugs into Europe

BY JOHN DAVIES IN FRANKFURT

STEP BY STEP, the ambitious plans of LSI Logic, the U.S. based semiconductor company, are being pushed ahead in Europe and Asia.

As part of its global strategy, LSI Logic selected Brunswick in West Germany earlier this year as the site for a DM 150m (\$55m) plant to make custom and semi-custom chips by 1987.

More recently, it linked with Kawasaki Steel in setting up a joint subsidiary to build a similar \$100m semiconductor plant in Japan by mid-1987.

In addition to its U.S. operations, these moves will give LSI Logic strong regional bases from which to build up its already fast-growing business.

LSI Logic was started up in 1980 by Mr. Wilfred J. Corrigan, formerly chief executive of Fairchild Camera and Instruments, to specialise in logic devices to meet individual requirements of customers rather than standard chips. It quickly gained a dominant position in the market for gate arrays, a basic building block for computer logic circuits.

The group's sales revenue rose 143 per cent to \$24.5m last year, while sales in the first half of this year at \$4.1m were up 81 per cent on the comparable period a year earlier.

While some standard chip manufacturers have run into problems with the recent slowdown in sales, markets for custom and semi-custom chips have held up relatively well. LSI Logic is pressing on with its plans to meet what it expects to be strongly rising demand.

Mr Robert Blair, president of LSI Logic's UK-based holding company for Europe, said that "ground-breaking" work for the Brunswick factory would start in the first quarter of next year. LSI Logic opted for Brunswick after closely looking at Wales as a possible site.

The Brunswick plant, including water fabrication, assembly and testing, would employ up to 300 workers, Mr Blair said.

He said that LSI Logic was also planning to open more design centres in West Germany and other countries to provide software and other specialised support for customers to help them develop integrated circuits for their own requirements.

In addition to its design centre at Bracknell in England, it opened a design centre in Munich last year, was about to open one in Düsseldorf, and would open one in Stuttgart early next year. Others would be set up in Paris, Stockholm, Scotland and Israel. "We must have de-

sign centres near customers" he said.

In its three-pronged global strategy, LSI Logic has set up regional holding companies in the UK for Europe and in Japan, alongside the U.S. company, with its headquarters in Milpitas, California.

Executives indicated that the European holding company might be launched on the stock markets in London and Frankfurt within a year or so, although the decision would depend partly on market considerations.

The U.S. group's strategy has been to seek local acceptance in Europe and Japan by already opening up its regional companies to outside investors through private placements. Outsiders hold just over 20 per cent of the European company and about 30 per cent of the Japanese company.

Among the shareholders in LSI Logic Europe is the West German venture capital concern, WFG Deutsche Gesellschaft für Wagniskapital - which is owned by the "big three" commercial banks (Deutsche, Dresdner and Commerzbank) and by the Westdeutsche and Bayerische Landesbanken.

Herr Karl-Heinz Fanslow, WFG's chief executive, said the venture capital concern had acquired about 500,000 shares and was the

fifth largest investor in LSI Logic Europe.

Herr Fanslow said that this stake reflected WFG's new policy of diversification by investing abroad. It had also made some investments in the U.S. he said.

In the difficult Japanese market, LSI Logic has been making strenuous efforts to obtain local help in becoming entrenched.

As chief executive of its Japanese affiliate it succeeded in attracting Mr Katsuo Yawata, who already had a strong local profile as a senior executive of Japan's NEC Corporation for 26 years. LSI Logic's partnership with Kawasaki Steel will also speed up its breakthrough in the Japanese market, according to Mr Corrigan.

Kawasaki Steel, with sales of \$4.9bn in its business year to March 31, has joined LSI Logic in forming a company called Nihon Semiconductor that will produce silicon wafer and semi-custom chips under licence from LSI Logic. The work force is expected to reach about 250 by 1988.

While the initial cost of the Japanese plant is put at about \$100m, total investment in the operation there could reach \$200m by the end of the decade, according to LSI Logic.

Richardson Vicks new share plan blocked

By Our New York Staff

UNILEVER, the Anglo-Dutch group, yesterday won a round in its fiercely contested \$1.3bn takeover battle for Richardson-Vicks, the U.S. skin and health care group, when the U.S. courts temporarily blocked Richardson's plans to issue new voting rights stock.

A federal judge in New York issued a temporary restraining order against Richardson's plans to issue new preferred stock, in the form of a dividend to existing shareholders - a key part of the Connecticut-based group's hastily assembled and highly complex anti-takeover defence.

Judge Richard Owen noted he was issuing the temporary restraining order, which had been sought by Unilever in the immediate wake of Richardson's unveiling of the takeover defence, on the basis of law and "common sense."

The ruling helped spur very heavy trading in Richardson-Vicks stock yesterday morning and helped fuel renewed speculation on Wall Street that Unilever might succeed in its bid, perhaps with a sweetened offer. Richardson's stock was unchanged at \$49 a share at lunchtime with 2.9m shares changing hands. Judge Owen noted that the new preferred stock had not been approved by Richardson-Vicks' shareholders and that the company's by-laws had not been changed to provide additional voting rights to existing shareholders.

The judge set a hearing for next Thursday on a move by Unilever to obtain a preliminary injunction against Richardson-Vicks taking steps to thwart its tender offer. Unilever has offered \$56 a share for Richardson-Vicks, if the company's board approves the offer and \$48 a share if it does not.

Pieroth sales to show impact of wine scandal

BY RUPERT CORNWELL IN BONN

PIEROTH, the biggest West German wine merchant and a leader in direct wine sales to the public, is bracing itself for a prolonged slump in sales as a result of its involvement in the devastating scandal over Austrian wines doctored with the chemical diethylene glycol.

At the same time, Herr Kuno Pieroth, the firm's chief executive, announced that Herr Klaus and Herr Dieter Pieroth, two other members of the family in senior management posts, were resigning, while up to 150 of the concern's 3,800 workforce would have to lose their jobs.

In financial terms, the damage caused by the scandal will see a cut this year of between DM 50m (\$17.3m) and DM 60m in Pieroth sales, compared with the DM 640m

turnover registered in 1984. The withdrawal of contaminated wines marketed by the company alone will have cost DM 30m to DM 40m. Pieroth will therefore show a loss this year, despite having operated profitably until the scandal broke in early July. Herr Peter Winter, a new director, estimated yesterday that it would not be until 1988 that sales returned to the level of last year.

Pieroth was doubly implicated in the affair in that not only did it market some purely Austrian wines sweetened with the poisonous diethylene glycol but that some of its German wines were improperly blended in its cellars with contaminated bulk wine from Austria.

The "black list" of dangerous wines published this summer by

the West German health authorities contained 32 Pieroth wines.

The judicial investigation into possible breaches of the country's wine laws at Pieroth are still in progress. But Herr Winter declared that whatever the outcome, the company had already decided to strengthen its internal control mechanisms, and impose stricter checks on wines delivered to its cellars.

Herr Kuno Pieroth apologised for the way in which the company had attempted to "play down" the extent of the affair. "We accept our overall responsibility towards our customers and the general public," he declared.

In addition to the redundancies, more than 200 employees face short-time working from October

SEL to start VCR production in Italy

BY JAMES BUXTON IN ROME

STANDARD Elektrik Lorenz, the West German arm of IIT, is to start manufacturing video-recorders in Rome in December. SEL has set up a joint venture with the Italian state-owned company Ristrutturazione Elettronica (Rel).

The plant, Italy's first for the manufacture of VCRs, will employ about 450 people and output will rise from 50,000 units in 1986 to full production of between 200,000 and 250,000 annually.

Italy has so far proved to be one of the weaker markets for VCRs in Europe, and only 600,000 have been sold to a possible 15m households. However, SEL believes total sales this year should reach 200,000, double the level of 1984, and that in the next 10 years the market will absorb 6m to 7m VCRs.

The new joint venture, called Vidital, will produce the Eurocorder 3946, an SEL product aimed at the

middle range of the market.

Vidital is owned 51 per cent by SEL and 49 per cent by Rel. Its capital will amount to L3bn (\$4.2m) and Rel will make a soft loan of L300m to the new company. For the first five years Vidital will have to pay interest on the loan at only 15 per cent of prime rate.

Rel was established in 1982 to breathe new life into the Italian consumer electronics industry after several companies got into serious difficulties in 1979-80. It is involved in a new colour television manufacturer named Seleco, and in a scheme for the manufacture of car radios involving Pioneer and the Italian company Autovox.

Vidital is at present recruiting factory workers. A number of these are likely to be former employees of Voxson, a company now under the control of a government-appointed receiver.

Banks unhappy with Baldwin reorganisation

By Our Financial Staff

OBJECTIONS have been made in a U.S. Federal Bankruptcy Court to the proposed reorganisation plan for Baldwin United by eight banks which claim they are owed about \$560m.

Manufacturers Hanover Trust, which filed the objection, said that in 1982 the banks lent the financial services group, now operating under Chapter 11 of the U.S. Bankruptcy Code, \$384m. This was used to help purchase MGIC Investment, a mortgage insurance company. Mr Joel Zweibel, a lawyer for Manufacturers Hanover, said the reorganisation plan did not provide for any exact amount to be paid to the banks. Instead, Baldwin's plan calls for major creditors to receive a combination of cash notes and stock that will be valued at 45 to 55 cents on the dollar.

Taubman raises \$650m

By Paul Taylor in New York

MR ALBERT TAUBMAN, the U.S. property developer and chairman of Sotheby Holdings, the London-based fine art auctioneers, has raised \$650m through a major institutional refinancing deal using his stake in 17 regional shopping centres, valued at \$2bn, as collateral.

News of the refinancing deal prompted speculation on Wall Street that Mr Taubman, who has been expanding his business interests rapidly in recent years including the \$130m acquisition of Sotheby's two years ago, might be preparing for another major acquisition.

Under the terms of the refinancing deal, two major U.S. pension funds, General Motors and AT&T, which have lent the Taubman group \$650m, will have an option eventually to become a 50 per cent limited partner in Taubman Realty, a limited partnership formed to ensure the refinancing. The equity option can be exercised after 1987, meanwhile the Taubman group will continue to manage the properties, said to be among some of the best regional shopping malls in the nation.

By structuring the deal as a refinancing with an equity option Wall Street experts noted that the Taubman group will have succeeded in realising some of the equity built up in the shopping centres without incurring any substantial capital gains liability.

Sterling loan deals for two UK companies

By Peter Montagnon in London

Two more British companies, Harrison and Crossfield and W.H. Smith, are arranging loan facilities in the sterling bankers acceptance and short-term advances market. Both deals are led by Baring Brothers.

Harrison and Crossfield, the overseas trading concern, is raising £130m over five years through a facility designed to refinance its existing debts at lower cost. Terms of the deal, of which £110m is committed by underwriting banks, allow funds to be raised through the issue of sterling acceptances or dollar or sterling bank advances.

The facility carries an underwriting fee of ¼ per cent. The maximum commission on acceptances is 20 basis points, the same as the maximum yield on advances.

W. H. Smith is paying a slightly higher underwriting fee of 15 basis points for its £50m facility which is to finance its recent purchase of the Elson chain of newspapers and gift shops in the U.S.

The higher fee reflects the fact that the facility is relatively long for the sterling market at seven years. Of the total £50m is committed by underwriters.

Maximum commission on sterling acceptances sold under the facility is 20 basis points for the first four years rising to 25 basis points thereafter. Maximum margins over London interbank offered rate (Libor) are the same for dollar or sterling bank advances.

Runaway success for Vienna flotation of Lenzing shares

BY PATRICK BLUM IN VIENNA

THE demand for shares in Austria's Lenzing AG, one of the world's leading producers of viscose and modal fibres, issued on the Vienna stock exchange for the first time yesterday, exceeded twice the value of the company's Sch 245m (\$12m) nominal capital, according to Österreichische Länderbank which holds a majority holding in the company.

Shares traded at over four times their nominal value and were snapped up rapidly by eager investors. Altogether shares with a nominal value of Sch 45m representing about 18 per cent of Lenzing's share capital are being offered to the public. Only part of these were offered yesterday, with some shares held back for trading in the next days by the two main shareholders Länderbank and Creditanstalt Bankverein.

Until yesterday Länderbank held about 62 per cent of the shares in the company's nominal capital and Creditanstalt 33 per cent, with the remaining shares held by smaller investors. The two banks are reducing their shareholding to just under 51 per cent for Länderbank and 26

per cent for Creditanstalt. Länderbank said yesterday that more shares in the company may be sold next year.

This is the first new share issue on the bourse this year and there was some excitement in the usually subdued trading hall of the Vienna bourse as investors waited for the quotation price to come up on the screens. Applause followed the announcement that Sch 100 shares were trading at Sch 420. The issue also makes bourse history since it is the first to be quoted in schillings per share rather than per cent movements, as is traditionally done. From next January all share quotations will be in schillings per share.

There has been strong international interest in the shares with calls from London and other trading centres, banking sources say. This latest share issue and another due today for Jungbunzlauer, an Austrian biotechnology group, whose shares will also be placed in London, have spurred activity on the Vienna bourse which has seen prices rocket in the past 18 months.

Lenzing reported a successful year in 1984 paying out an 11 per cent dividend on share capital of Sch 210m. Its turnover was Sch 4.6bn up almost 18 per cent on the previous year. Turnover this year is expected to reach about Sch 5bn, some 80 per cent of production is exported.

The last two years have been exceptionally good for the company, although it is now facing more difficult international market conditions as well as having to make substantial investments to meet increasingly tight environmental controls. These are expected to cost the company at least Sch 1.5bn during the next four years.

Bond corporation offer extended

BOND Corporation Holdings of Perth has extended until February 16 its AS1.2bn (US\$820m) bid for Castlemeane Toolloys, the Australian brewing group of which Bond said yesterday it now owned 86.6 per cent. Our Financial Staff writes.

EUROBONDS

Abbey National issues two-tier sterling floater

BY MAGGIE URRY IN LONDON

THE ABBEY NATIONAL became the third of the UK building societies to launch a Eurosterling floating rate note yesterday, tapping the market for an initial £150m with a further £100m available to be sold after April 1986.

Lead manager Samuel Montagu set the interest rate at ¼ per cent over three-month London interbank offered rate (Libor), the same as for Halifax and Nationwide's deals, with the same commissions of 40 basis points. The maturity is longer at 15 years, but investors have a put option after seven years. The bonds were bid at 99.65, the level where co-managers own them.

The World Bank launched its expected jumbo zero coupon issue in the Swiss franc market, led by Morgan Guaranty (Switzerland).

The redemption value is SwFr 800m with a life of 30 years. Issue price is 11.89 to give a yield to maturity of 6¼ per cent. Some traders thought this a touch low for the maturity but Morgan Guaranty points out that with a zero investors do not need to worry about re-investing coupons.

Zero offer greater volatility than fixed rate bonds and against the background of a strong monetary policy, inflation in Switzerland is falling, says Morgan Guaranty. The World Bank is a frequent borrower in Switzerland, however, and investors have plenty of choice of coupon-paying issues.

In the Eurodollar sector fixed-rate bonds weakened slightly again with traders now looking to today's U.S. third-quarter GNP figure to judge the state of the economy.

Ford Motor Credit was brave enough to launch a deal ahead of

BNF Bank bond average			
Sept 19	Previous	High	Low
105.000	105.242	105.417	99.840

the figure. The \$100m issue matures in January 1996, giving a short first coupon. The coupon rate was set at 11 per cent and issue price at par by Goldman Sachs. Fees total 2 per cent and in early trading the bonds were around 98½.

The Municipal Finance Authority of British Columbia launched a \$50m issue in the morning through Credit Commercial de France. This is likely to find buyers among retail rather than institutional clients. The coupon is 11¼ per cent, with a par issue price, for 15 years. Then the coupon can be refunded for five more years with investors having a put option. Fees are 2¼ per cent and the bonds were trading comfortably within that discount.

A big buyer was said to have come in for the UK floater and the price moved up to 99.80 yesterday, encouraging other floaters to move up also.

Great American First Savings Bank, a California savings and loan association, launched a \$100m seven-year FRN which is backed by Ginnie Mae and other U.S. government agencies, giving the bonds a AAA rating.

The institutional investors who buy floaters do not object to the registered firm backing requires. The interest rate was set at ¼ per cent above six-month Libor and

with fees of 45 basis points, the issue proved popular. The bonds were bid at 99.24. Lead manager is Credit Suisse First Boston.

Bank Leumi (UK) launched a \$10m perpetual floater paying interest at ¼ per cent over Libor.

The "shogun" market - non-yen bond issues launched on the Tokyo domestic market - is expanding and two deals were launched yesterday. New South Wales Treasury is raising \$100m through a seven-year, 10½ per cent deal priced at 100½ and led by Yamaichi Securities. Meanwhile another Australian borrower, Victoria Public Finance Authority, launched a A\$90m seven-year deal through Daiwa Securities. This pays 13½ per cent and is issued at 99½. Fees on both deals total 1.8 per cent. A Canadian dollar deal could be the next new currency launched there, with Quebec the likely borrower.

In the D-Mark market BHF-Bank led a DM 150m issue for Österreichische Elektrizitätswirtschaft, the Austrian power utility. Terms were fixed at a 10-year life with a 6½ per cent coupon and par issue price. The issue was trading around 98½ yesterday, in a weaker market where secondary market prices fell by around ¼ point.

In the Swiss franc market, apart from the World Bank's issue, UBS set final terms for the SwFr 100m 10-year issue for Portugal at a 6 per cent coupon as indicated but with a 100½ issue price.

The secondary market was unchanged on average in low turnover.

International bond service, Page 24

NEW ISSUE

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AUGUST 1985

U.S. \$150,000,000



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GROWTH CONTINUES

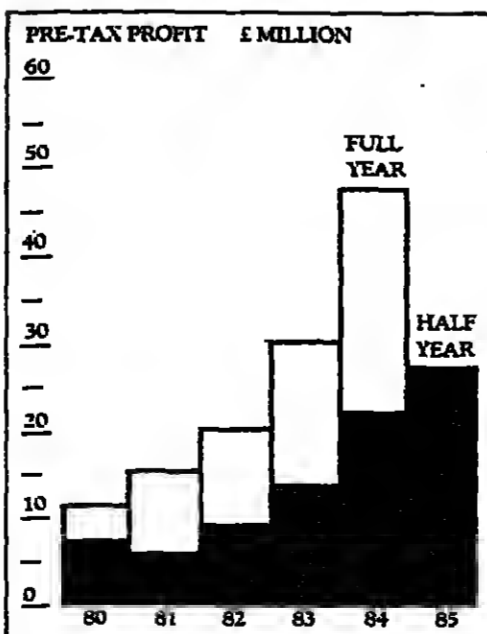
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- * Interim Dividend 3.2p per share - up 33%

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INTERNATIONAL COMPANIES and FINANCE

Ahold profits up at seven-month stage

BY OUR FINANCIAL STAFF

AHOLD, the Dutch food retailer, reports good profits and sales progress for the first seven months of 1985 and says earnings overall this year will show an increase. Net profits for the period rose by 17 per cent to F1 62.1m (\$18.1m) on an increase in turnover to F1 6.85bn, against F1 5.75bn. For the whole of 1984 profits totalled F1 198.5m. Ahold has extensive U.S. operations via its giant supermarket chain. It said about half its increase in revenue was derived from foreign exchange gains, while F1 5m of earnings rise reflected favourable dollar effects. In the Netherlands, turnover rose 6.5 per cent in the period compared with a year earlier, while U.S. sales climbed 9.3 per cent. Ahold also proposes a four-for-one share split for which an extraordinary meeting of shareholders has been called. The rights issue planned by Böhmann-Tetterode, the diversified paper group, is to be a one-for-four at F1 95 a share to raise F1 80m (\$27m). The shares changed hands on the bourse yesterday at F1 10.5. The company, which recently announced a 72 per cent rise to F1 18m in first-half 1985 net profits, says earnings overall this year will show a considerable increase over 1984.

CCF ahead at midway

BY OUR FINANCIAL STAFF

STRONG profit gains are reported by Credit Commercial de France (CCF), the big French state-owned bank, for the first half of 1985. The bank gained from improved cost control, a better deposit structure and a rise in net interest income. Net profits for the six months are FFr 163m (\$11.6m), a rise of 35 per cent. With lending activity on the upswing and funds flowing out of term deposits in favour of non-remunerated sight deposits, net interest income rose 17 per cent to FFr 2.3.

This was accompanied by the relatively slow growth of operating expenses, which rose 8.5 per cent. Operating results advanced to FFr 576m, up 48.1 per cent. But the bank's net contribution to provisions also rose, to FFr 501m from FFr 386.5m in the first half of 1984. At the same time, extraordinary gains fell to FFr 5.7m from FFr 82.8m. CCF said the current six months were unlikely to duplicate the first half. For all of 1984, CCF had consolidated net income of FFr 4.2m.

South African exploration stock issue

By Anthony Robinson
in Johannesburg

POTENTIAL investors are being offered a "rare opportunity" to participate in the high-risk gold exploration field in South Africa by taking up a renounceable rights issue for R17.5m (\$6.8m) from Rand Extension, a subsidiary of East Daggasfontein Mines. This is equivalent to 31 per cent of the increased share capital. East Daggas, which presently owns 73 per cent of Rand Extension, is to renounce its portion of the rights entitlement in favour of its share and option holders. This amounts to 8.6m of the 11.94m-nominal by cents shares on offer at 150 cents. Renounceable letters of allocation are being offered to Daggasfontein shareholders on the basis of 80 for each 100 Daggas shares held. Trading in the letters of the Johannesburg and London stock exchanges starts on Monday September 30 and will last for three weeks. The remaining shares will be taken up by Southern Prospecting, the minority shareholder in Rand Extension, with a 26.1 per cent holding. The R17.5m to be raised by the issue, plus Rand Extension's exploration funds of around R8m, will finance the company's exploration activities for at least the next five years. The major portion will be spent on joint ventures with Johannesburg Consolidated Investments (JCI), Randfontein Estates and Newmont Mining. Mr Ted Grobicki, managing director of Rand Extension, and Mr Chris von Christerson, managing director of Southern Prospecting, describing the offer as a "rare opportunity" for investors to participate in a minor way in the on-going boom in gold mine exploration activity.

The total rights issue is underwritten by UAL the merchant bank, which reports that sub-underwriting was over-subscribed in South Africa and that it has had to ration the amounts granted to both local and European sub-underwriters.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for September 19.

U.S. DOLLAR		Change on				New Brunswick 7 1/2 95		10	100%	100%	0	+ 0%	2.81
STRATINGS		Issued	Par	Offer	Change	Yield	Swed Govt Cred Zero 90	14	22 1/2	100%	0	+ 0%	6.81
							Average price change On day = 1/8 on week = 1/8						
OTHER STRATINGS													
	Issued	Par	Offer	Change	Yield								
Chrysler Fin 12 1/2 82A	50	98	101 1/4	+ 1/4	11.17								
Chrysler Fin 12 1/2 83A	50	98	101 1/4	+ 1/4	11.17								
SSSA Finance 12 1/2 85A	50	98	101 1/4	+ 1/4	11.17								
Gen Fin NSW 12 1/2 85A	50	98	101 1/4	+ 1/4	11.17								
Stanier Fin 12 1/2 85C	50	98	101 1/4	+ 1/4	11.17								
Hand - Month 12 1/2 85C	50	98	101 1/4	+ 1/4	11.17								
Hand - 12 1/2 85C	50	98	101 1/4	+ 1/4	11.17								
New Brunswick 12 1/2 85C	50	98	101 1/4	+ 1/4	11.17								
Small Canada 12 1/2 85C	50	98	101 1/4	+ 1/4	11.17								
Small Canada 12 1/2 85C	50	98	101 1/4	+ 1/4	11.17								
Chrysler Fin 12 1/2 85C	50	98	101 1/4	+ 1/4	11.17								
K.O.P. 12 1/2 85C	50	98	101 1/4	+ 1/4	11.17								
Chrysler Fin 12 1/2 85C	50	98	101 1/4	+ 1/4	11.17								
Chrysler Fin 12 1/2 85C	50	98	101 1/4	+ 1/4	11.17								
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Chrysler Fin 12 1/2 85C	50	98	101 1/4	+ 1/4	11.17								
Chrysler Fin 12 1/2 85C	50	98	101 1/4	+ 1/4	11.17								
Chrysler Fin 12 1/2 85C	50	98	101 1/4	+ 1/4	11.17								
Chrysler Fin 12 1/2 85C	50	98	101 1/4	+ 1/4	11.17								
Chrysler Fin 12 1/2 85C	50	98	101 1/4	+ 1/4	11.17								
Chrysler Fin 12 1/2 85C	50	98	101 1/4	+ 1/4	11.17								

A black and white photograph showing four old, worn coins. The coins are arranged in a cluster. The top-left coin is a German 1 Mark coin, featuring the word 'DEUTSCHE' and 'MARK'. The top-right coin is a British 1 Shilling coin, featuring a royal coat of arms. The bottom-left coin is a French 1 Franc coin, featuring a globe and the word 'FRANCE'. The bottom-right coin is a US 1 Cent coin, featuring a profile of a man. The coins are heavily worn and show signs of age.

**CHICAGO
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International Monetary Market - Index and Option Market

FUTURES AND OPTIONS WORLDWIDE

27 Throgmorton Street, London EC2N 2AN 01-920 0722
30 South Wacker Drive, Chicago, Illinois 60608
312/930-1000
67 Wall Street, New York 10005 212/363-7000

The amounts involved are relatively small, and the banks have insisted that CCB's main problem was the quality of its assets rather than a drain of deposits.

Banca Commerciale Italiana
County Bank Limited
Daiwa Europe Limited
Genossenschaftliche Zentralbank A. G. Vienna
Mitsui Finance International Limited
Sumitomo Finance International
The Taiyo Kobe Bank (Luxembourg) S.A.
Bank (Etrone) S.A.

TECHNOLOGY

Setting a faster pace in computer graphics

Geoffrey Charlish on a design aid which claims to offer outstanding speed and power

THE ART of designing with screen, keyboard and computer has taken another step forward with the emergence in Europe of a workstation which is claimed to be 100 times faster than any competing unit on the market.

It comes from a Californian company called Silicon Graphics, which recently opened offices in Newbury, Berkshire.

The company, which moved into profit a year ago, has raised more than \$33m of venture capital since it was started by Dr James Clark, an ex-Stanford University professor. The product is a stand-alone engineering workstation with abilities that few in industry will have seen so far on such a compact unit.

For less than \$50,000, the IRIS workstation can produce

animated images of the kind that might be seen on a full scale flight simulator costing more than \$1m. A recent London demonstration produced a view you could see from the cockpit of an aircraft landing and taking off while others came and went.

Dr Clark believes that, with the cockpit mock-up and instrumentation, it will be possible to make a full colour flight simulator acceptable to smaller regional airlines at a price of about \$100,000. The company has already sold IRIS to Singer for a system called Microflight.

For designers, including engineers, architects and TV graphic artists, IRIS allows powerful origination and manipulations of all kinds of image with immediate interaction and high levels of design productivity.

The secret lies in several very large scale integrated (VLSI) chips developed at Stanford and now used under licence by Silicon Graphics. Two in particular—the "geometry engine" and the "geometry accelerator"—have enabled the company to offer a stand-alone workstation which combines interactive, immediate graphics facilities with

networking if required.

IRIS, it is claimed, offers very quick response graphics for a fraction of the cost of doing the same thing on a system of mainframe-based graphics terminals.

Response time is seen as increasingly important in engineering circles. A recent IBM study quoted by Dr Clark showed that a reduction from 1.5 to 0.5 sec in the time for modified pictures to appear on the screen results in a four-fold increase in the user's design productivity.

By bringing a dozen of the geometry engine chips to bear, the system can process an astonishing 44m pixels (fundamental picture elements) every second, or about 70,000 of the TV raster lines that make up the picture.

It deals simultaneously with colour, changes, dimensional changes in 3D representations of objects, and animation.

Dr Clark says the achievement is based on an approach that others in the information equipment industry will have to adopt: acquisition of leading edge knowledge followed as soon as possible time by commitment to very large scale

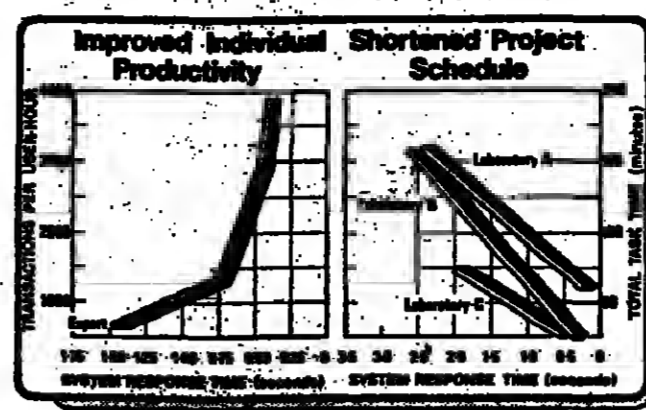
integration of all the circuits.

After time at Stanford and a spell at Evans and Sutherland, a leading U.S. graphics company, Dr Clark and his team felt they knew exactly what to commit to chip form. They then made the chip production masks in-house, collaborating closely with one of the new "silicon foundries" companies which produce chips in relatively small volumes to design tools provided by the customer.

Dr Clark is not alone in believing that these "application specific integrated circuits" (ASICs) will assume greater, and greater significance in the electronics industry. To gain a competitive edge with their products, designers will increasingly ignore standard chips (except in high volume consumer goods) and design their own instead to give precisely the performance they need.

Hence Dr Clark thinks his kind of high-speed design product will be much in demand, if only to get to the market place first.

Silicon Graphics' main interest is in supplying the workstation hardware and graphics software. Application software for almost all kinds of design



activity will be made available under a "geometry partners" programme. This covers mechanical engineering design, molecular modelling, in chemistry and biology, the graphics arts and animation, various kinds of simulation (including animated robot workstations and factory layouts), and electronic circuit design.

More than 30 application software suppliers are on the company's list and the aim is to develop new applications on a collaborative basis, as well as

supplying existing packages. Silicon Graphics already has some volume users including Ford, Boeing, and General Motors. The company has 300 customers in the U.S. who have purchased three to five workstations on average. Only a dozen or so have so far been sold in the UK, but the company aims to make European sales amount to about 20 to 25 per cent of the total within three years.

The company's growth is impressive. It shipped its first



Dr James Clark, the founder of Silicon Graphics

products in October 1983 and in 1984 achieved sales of \$13m. The expected sales for 1985 are \$30m.

Silicon Graphics is operating in a boom market. According to "Dataquest", the market researchers, spending on computer design worldwide topped \$3bn last year and are expected to exceed \$15.5bn by 1988.



Standard computer links urged

BIG OPERATORS of "value added" network services (VANS), special services like electronic mail offered over the telephone network, should be required to implement Open Standards Interconnection, says the largest grouping of computer users in the UK.

Open Systems Interconnection is a set of standards which means that any make of computer equipment should be connectable to any other. Supported by the British Government and by most computer manufacturers, OSI has proved slow to implement because not all the standards are fully defined yet and because many manufacturers have their own proprietary connection standards.

The National Computer Users' Forum, representing 22 of the principal computer users associations in the UK, says all major VANS operators should conform to OSI within 12 months of British Standards Institute Drafts for Development being available.

IBM offers converters

IBM has made it easier for users to create large, high-availability computer networks through the release of a number of converters which make it possible to attach IBM and non-IBM ASCII devices to IBM computer systems.

ASCII, the American Standard Code for Information Interchange, which simply defines how alphanumeric characters are handled in the computer language of binary digits, is used in a wide range of conventional computing systems but not IBM host processors. So the new converters translate between the ASCII characters and IBM computer languages.

Dounreay aims for a key reprocessing role

APPLE-GREEN solutions rich in plutonium will begin to gurggle through glass columns this autumn, inside what British nuclear engineers believe may be the world's biggest glove box for isolating a dangerous operation.

On this all-glass rig they will study new ways of separating plutonium and uranium in a pulsed plate column. With its help, they hope to write a design code for pulsed columns for the new reprocessing plant proposed for the Dounreay Nuclear Power Development Establishment of the UK Atomic Energy Authority.

The idea is that the pulsed plate column will provide a deep enough understanding of the hydrodynamics of the process to allow them to bypass any pilot-plant stage before building the new European plant. This rig alone has cost about £650,000. Its first test is to test the flow sheet for the thermal oxide reprocessing plant (Thorp) under construction at Sellafield, Cumbria.

The rig is a central feature of a £6m fuel cycle development laboratory for fast reactor fuel

the UKAEA is commissioning. According to Owen Pugh, assistant director responsible for reprocessing at Dounreay, nothing like it exists anywhere else in the six-nation European fast reactor club.

It has the flexibility to handle the quite different designs of fast reactor fuel used in Britain and France and will be able to process the intensely radioactive fuels taken to high burn-ups in Europe's fast reactors.

Last spring, the British Government sparked controversy by declaring its support for a British nuclear industry bid to play host to the reprocessing plant which the fast reactor club members—Britain, France, West Germany, Italy, Belgium and the Netherlands—foresee will be needed in the late 1990s to reprocess spent plutonium fuel from perhaps four full-scale demonstration fast reactors developed by the club.

Before Britain joined the club, France already had plans for its own plant. It still has its bit in the rig, and urgently needs such a facility because it

is just starting up its 1,200 Mw Superphenix 1 demonstrator, and hopes soon to start building Superphenix 2.

Britain's case for hosting the reprocessing plant rests on two main pillars. One is that the club will not be a club if

David Fishlock on the UK Atomic Energy Authority's £6m fuel cycle development laboratory

France has all the main facilities—and reprocessing is unquestionably a key one. A more equitable solution might be for France to proceed with Superphenix as a six-nation project, for West Germany to follow with its fast demonstrator reactor and a factory for fast reactor fuel, and for Britain to build the last of the demonstrator reactors and a reprocessing plant, which can cope with all four.

The second pillar of Britain's case for the European Demonstration Reprocessing Plant (EDRP) is the technical one. While France certainly has the lead in fast reactor engineering, Britain is the only club member with experience of reprocessing fast reactor fuel, undiluted, and returning plutonium to the fast reactor.

The UKAEA's experience of fuel contaminated with the higher isotopes of plutonium, which present different and difficult problems both in the chemistry of reprocessing and in handling the fuel, is unique.

Last year, a design study and cost estimate was prepared jointly by the UKAEA and British Nuclear Fuels for a fast reactor reprocessing plant large enough to service the European demonstrator reactors. The fuel cycle costs work out "considerably lower than those previously used for generating cost assessment purposes and confirm the low fuel cycle cost potential of the fast reactor," the UKAEA says.

The idea is that the plant will be built and owned by BNFL as part of the European club's

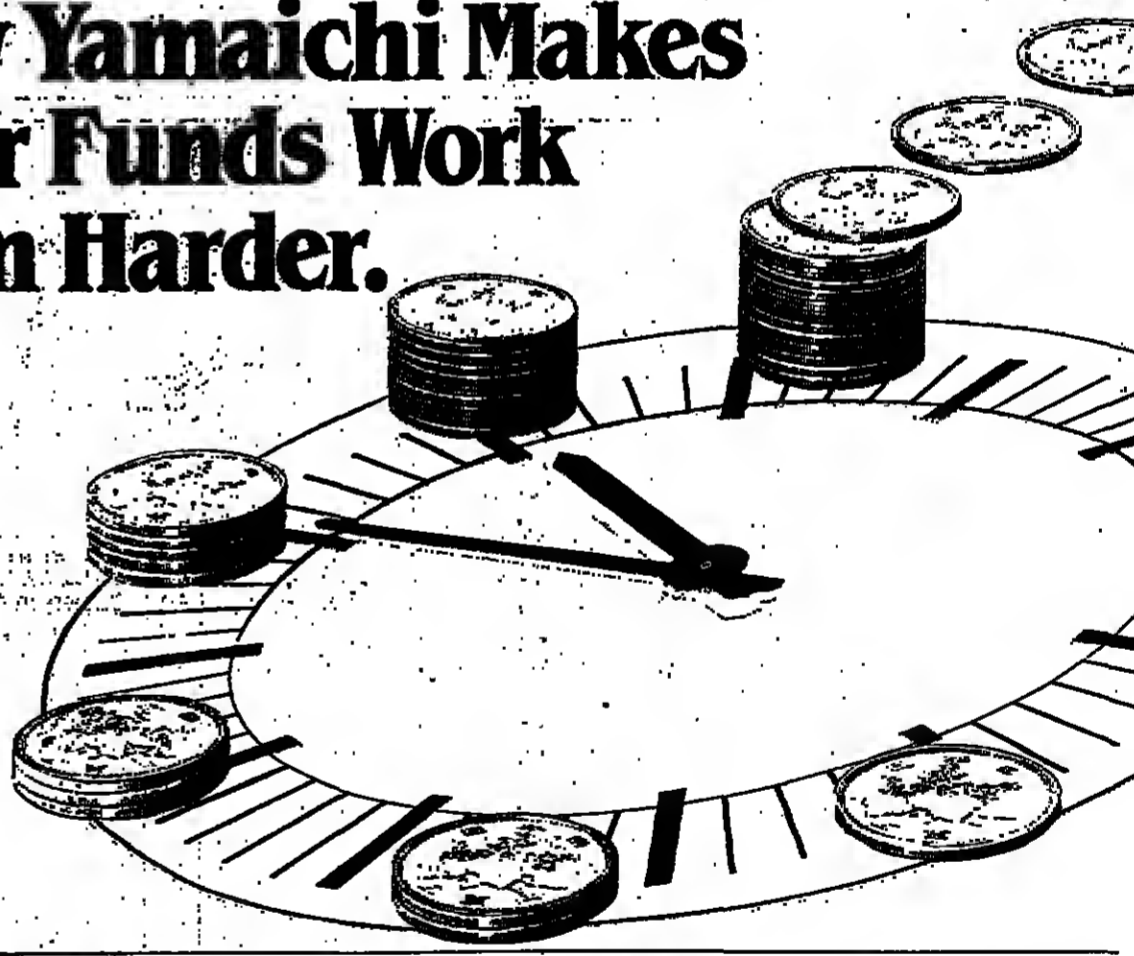
joint facilities, but will be operated by the UKAEA.

The outline design is based on a plant ten times as big as the present one, to reprocess about 70-80 tonnes a year of plutonium fuel. The cost is put in the region of £200m.

The main rival is France, which is just completing TOR (Traitement Oxydes Rapides), its equivalent of the present Dounreay reprocessing facility, at Marcoule, site of its 250 Mw Phenix prototype fast reactor. But TOR, expected on-stream next year has extra experimental facilities not available at Dounreay. France already has an outline design for the EDRP, which it calls MAR-600, also intended to serve four big fast reactors.

The French have made it plain that they intend to compete strongly for a project which will be needed until well into the next century—could give the host nation an important technological lead. Britain cannot even start to negotiate with its European collaborators until Dounreay has planning permission.

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UK COMPANY NEWS

BT facing £200m capital spending cut

BY JASON CRISP

British Telecom's planned £200m capital expenditure programme this year may be reduced by up to £200m because of late deliveries from the suppliers, according to Mr Douglas Ferryman, the finance director.

The company's first quarter figures published yesterday show a small fall in spending on both telephone exchanges and transmission equipment even though BT is undertaking a major programme to modernise the network.

"Spending has not got off to the sort of start we would have liked. The cash is available, the will is there and it is in the budget," said Mr Ferryman.

The main problem is in the modernisation of the trunk transmission network has passed its peak. BT spent £170m on exchange equipment in the three month period down £4m on transmission equipment in the same period and at least £30m less than expected. This is largely because of delays in System X, the new family of digital exchanges made by Plessey and GEC Telecommunications.

BT's pre-tax profits amounted to £445m for the first quarter

ended June 30, 1985, a 30 per cent improvement on the same period last year. After allowing for a reduction in interest payable of £38m—a result of the capital reconstruction in August to prepare BT for its flotation—this represents a 27 per cent improvement.

Sir George Jefferson, the chairman, stated yesterday: "The results for the first quarter show that British Telecom's growth continues to prosper. We are continuing to strive for further improvements in efficiency and in our services. The outlook for the year continues to be favourable."

Operating profits rose by £50m to £512m largely because of a strong growth in business particularly in the highly profitable international calls. Pre-tax profits were boosted by a £20m increase in interest receivable from short-term investments as a result of BT's current strong cash flow.

Investments rose from £128m at June 30 last year to £161m at the same date in 1985. There was a positive cash flow of £200m. The net debt to equity ratio at June 30 was 57 per cent.

Turnover for the quarter topped £2bn for the first time at £2.1bn, an increase of 11 per cent over the same period last year. As usual the strongest growth came from international calls which were up 15 per cent. Inland calls increased by 8 per cent.

Operating costs rose 10 per cent, depreciation charges rose 17 per cent to £201m and staff costs were up by 5 per cent to £714m.

The fall in staff was only 400 during the quarter a significantly lower level than the 5,000-6,000 annually that was achieved in the last three years. BT refused to make any predictions on staffing levels for this year but it was likely to be less.

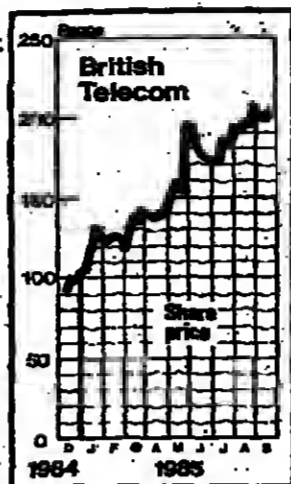
Other operating costs of £446m rose 13 per cent on the same quarter last year. This was particularly high because of advance currency changes on BT's investments in satellite consortia such as Intelsat and Eutelsat. This affected costs by £14m which would otherwise have only risen 9.5 per cent, said BT. Payments to overseas telecommunications operators rose 11 per cent to



Sir George Jefferson, chairman

£189m.

BT's limited breakdown of its activities shows that turnover from rentals rose 7.2 per cent to £662m. Turnover from telephone calls was up by 12 per cent



£1,094. Telex showed a particularly strong growth with turnover rising 19.7 per cent to £91m. Sales and other operating income was £169m, up 11 per cent. See Lex

Agreed bid by Cookson for Frank Horsell

By Martin Dickson

COOKSON GROUP, the fast expanding metals and industrial chemicals company, yesterday announced an agreed £45m takeover bid for Frank Horsell Group, a printing industry supplies company, which only two months ago unveiled plans for a Stock Exchange listing.

Leeds-based Horsell, which has been quoted since 1979 on the over-the-counter market made by Granville and Co., manufactures and supplies plates, chemicals and equipment for the printing industry. Its most important product is range of pre-sensitized aluminium plates for offset lithography.

Cookson is also involved in the manufacture of pre-sensitized lithographic plates. In the UK, through its Cookson Fry division and in the US, through its recently acquired 50 per cent stake in Advance Offset Plate of Massachusetts.

Cookson said that its greater financial resources and international trading network would help develop Horsell's business to meet the increasing demand for its products, and exploit overseas markets more effectively.

However, Cookson is paying some 37 per cent more than Horsell's over-the-counter market capitalisation earlier this week, and well in excess of the price Horsell could have achieved through a listing of its shares.

The offer is 44 Cookson ordinary for every 10 Horsell ordinary.

On the basis of Cookson's closing price last night of 222p, down 3p, Horsell's ordinary shares are valued at 653p and the ordinary share capital at £38.7m. Cookson is offering 19 of its shares for every 10 Horsell preferred ordinary, valuing each at 353p and the total at £5.04m.

There are cash alternatives of 606p for the ordinary shares and 492p for the preferred.

The offer has already received irrevocable acceptances covering 65.4 per cent of Horsell's voting capital. Much of that came from family trusts of the Horsell family, which has run the company since the post-war years.

Cookson's primary reason for acquiring Horsell is its dramatic growth in recent years, with pre-tax profits rising from £11.5m in 1982 to £55.5m last year. Horsell's pre-tax profits have grown at an average annual compound rate of 26 per cent over the past five years and totalled £2.7m in the year to March.

See Lex

Rowntree lower at £20.5m but UK profits rise 13%

ALTHOUGH UK profits showed a 13 per cent increase, overall pre-tax profits of Rowntree Macintosh dropped from a record £22.5m to £20.5m in the 24 weeks to June 15, 1985, reflecting intense competition worldwide.

Mr Kenneth Dixon, the chairman, says that first-half profits were below the board's earlier expectations. However, the board remains confident that the strategies being pursued will support the continuing growth of the group.

The shares rose 11p yesterday to close at 373p.

The net interim dividend is being raised from 3.5p to 4p per 50p share—last year's total was 11p on record £74.5m pre-tax profits.

UK profits in the half year rose by £1.2m to £20.5m. The 'K' confectionery business increased margins and profits as cost benefits from the capital investments came through.

Sales volumes were down, but initiatives planned for the autumn will strengthen the company's position in the market place, Mr Dixon states.

Sun-Pat maintained its steady progress, with sales volumes and profits growing in the first half. 'Snooper' Foods' new products helped the business to achieve another good half year's trading.

North American profits slipped from £11.5m to £10.5m, on high or sales of £153.5m (£119.5m). Tom's Foods' sales continued to grow, although the phasing of price increases left the first half profit lower. In Canada, however, Macintosh Canada suffered from difficult market conditions.

For the year as a whole, the company is expecting higher profits from North America, before taking account of an added contribution from the Original Cooks Company.

Sales in Italy and Holland were very strong, but elsewhere in Europe, group companies felt the effect of intensified pressure



Mr Kenneth Dixon, the chairman

from both competitors and distributors, and European losses doubled to £2.8m, from £97.4m (£91.4m) turnover.

Australian profits improved to £0.6m (£0.5m) on sales down £0.5m to £24.1m, with the Australian business maintaining its progress towards higher levels of profitability.

In the rest of the world, profits fell from £6m to £4.8m on turnover of £38.2m (£40m). The result reflected a difficult environment for the group's UK export, while the effect of the weakening rand masked a strong trading performance by the South African company.

The impact of currency movement on the comparison of the two half years is not significant. Interest payments for the first 24 weeks were up £0.5m to £5.6m. After a reduced tax share of £4.8m (£5.4m) attributable profits showed a decrease from £16.5m to £15.7m. Stated earnings per share were 9.4p, compared with 10.6p.

See Lex

Rain aids growth for Owners

SUNSEEKERS going overseas helped Owners Abroad Group, tour operator, to achieve substantially higher pre-tax profits, up from £15,000 to £225,000, in the six months to June 30, 1985. In the period, the group carried a record 360,152 passengers, while easily beat the previous record of 244,006 set last year.

Al comparisons, say the directors, are based on a combination of in-group tour operating activities and the aviation division's seat wholesaling activities. Load factor achieved was 87.4 per cent.

The board says these results are particularly impressive, bearing in mind the depressed state of the travel industry during the first half of 1985.

Due to the seasonal nature of the holiday industry, profits are mainly earned during the second half. The inclement weather in the UK in the summer months produced a boom for holidays abroad.

The resulting increase in bookings, which has been accompanied by substantially less discounting than in recent years, should lead to a successful second half, say the directors.

A combination of factors make Mr N. Scott, the chairman, confident for 1985. Among them, the successful integration of the various tour operators acquired by the group, the poor UK weather during this summer, and good advance indications of demand to the aviation division.

Group turnover in the opening half rose from £30.92m to £44.73m.

The company's shares are traded on the USM.

Laporte 23% ahead at £27m

Laporte Industries (Holdings) is confident that 1985 will be another year of "substantial growth".

Pre-tax profits are up 23 per cent to £27.3m in the six months to June 30, 1985, although sales were slightly lower at £178.2m (£181.3m). The corresponding period for 1984 did, however, include a significant contribution from the group's pigment business, sold last September.

The interim dividend is raised 2.4p per share (adjusted) to 3.2p per share, on the capital increased by the recent stock issue, from earnings of 12.5p per share (9.1p).

Mr R. M. Ringwald, chairman, says that the mood of confidence in the group remains strong, with most of the operations performing well. In particular, results from the two principal manufacturing regions, the UK and North America, are ahead of expectations and the world-wide Interex business continues to thrive. The group has also maintained its healthy cash position and a strong balance sheet.

In the UK, demand for inorganic products has been reasonably good but sales of building chemicals have not performed as well as expected, nor have sales in the UK to the electronics industry been buoyant.

In the U.S., developments have been particularly strong with good first half contributions from new and established companies in pool and spa chemicals, wood treatment and building chemicals. Recent acquisitions in Australia have strengthened the group's position there and established business sectors within Abel Lennan and Bleakley have been further developed.

Prospects for chemical distribution and earths manufacturing operations in the Far East, which are still at an early stage of development, are favourable though it will be some time before the benefits show through.

In Western Europe the French electronics business, Soprelec, enjoyed a particularly good first half while the position in absorbents was strengthened through the acquisition of the remaining shares of Mines de Gador in Spain. This company is the largest producer in Spain of foundry and civil engineering bentonites and the only Spanish producer of bleaching earths.

Since the beginning of the year, Laporte has purchased Orléans European operations manufacturing and marketing earth products in West Germany.

The Interex companies have shown a major improvement in the first half of the year with the U.S. business achieving a greater advance in profitability than in 1984. Interex in Australia has also produced a fine set of half year results, while profits in South America and the U.K. are ahead of last year.

Acquisitions in the U.S. include two pool chemical manufacturing companies and Mineral Research and Development Corporation, which specialises in the production of a range of inorganic chemicals and timber treatment products. As a result of this acquisition, Laporte has become one of the largest suppliers of timber treatment products in the U.S.

The chairman points out that Laporte's strategy of balancing its dependence on capital intensive business and of developing a broad and carefully selected range of key operations on a worldwide basis is paying handsome dividends. It also makes

the group resilient to any sharp economic changes.

A breakdown of the figures shows that Laporte UK contributed £9.2m (£10.5m) of the £27.3m (£14.1m) in profit before interest of £2m (£700,000). The share of results of related companies was boosted by an increase from £8.3m to £11.2m in the contribution from Interex. After tax of £11.1m (£9.7m) and minorities of £200,000 (£100,000) the net profit was £17m (£12.4m).

Comment

With all the profit forecasts around the £27m mark there were few surprises in Laporte's results. The main feature is that last year's first half included at least £5m from the titanium dioxide business sold later in the year; the gap left by the absence of this contribution has been covered by a combination of interest received on the cash, trading profits from the new acquisitions and a very strong contribution from Interex.

The prospects remain a little tricky to assess: Laporte has achieved a 30 per cent compound growth over the last five years but the company which investors are looking at today is a very different one from that of 1980. On one view, Laporte has got rid of a highly cyclical, capital intensive commodity business and replaced it with a high-quality, less cyclical and less capital intensive spread of businesses with higher growth potential. However, there are still those who remain to be convinced that it is a long-term growth business. If the momentum is maintained this year the group could achieve £50m, putting the shares, up 3p to 318p yesterday, on a prospective P/E ratio of 12.

Distillers profit still rising

By David Goodhart

MR JOHN CONNELL, chairman of Distillers, which faces a possible hostile bid from the Argyll Group, yesterday said the company's AGM that the results for the first five months of its 1985-86 financial year have maintained the strong trend of the first quarter.

On the basis of these results and in the knowledge of the benefits which emanate from the various changes in group structure and operations your board is confident about the outcome of the current year," he said.

Referring to press speculation about an Argyll bid he said that Distillers had had discussions on trading arrangements with the Argyll Group in recent months "in the ordinary course of business." These talks appear to have involved the sale of Distillers' drink products to Argyll shops. "These discussions have not taken place on the basis of any bid for your company," he added.

On the strength of market speculation that Distillers are on the point of making a role reversal bid for Argyll, the retail group's share price hit a high of 945p yesterday, but closed 3p up at 932p.

Distillers share price also rose 10p to 945p at 3.55p. The group's company is known to be looking at a bid for the Argyll Group.

Mr Connell also told the meeting that the continuing programme of reorganisation and restructuring of the business for each of the four business sectors (whisky, whisky exports, white spirits and food) reporting direct to the chairman. That means the Board's Management Committee, in effect an executive committee, will be disbanded as from October 1.

He added that "this is a natural sequence to the management changes which I started introducing after I took up office in 1983."

Mr Connell said Scotch whisky exports in the first five months were 17 per cent up on last year and "we are confident that the year as a whole will show a healthy increase in our export volume over the previous year."

The benefits of the new UK marketing organisation were also said to be beginning to show in the volume recovery achieved for sales of Scotch in the home market.

Linden Corporation

The Financial Times stated on Wednesday that Linden Corporation was not believed to own any London hotels apart from the Plaza Hotel. A J. Hotels International points out that apart from its 50 per cent interest in Linden, it operates five other London hotels.

SPONGE HOLDINGS, houseware distributor, industrial filter manufacturer and printer, recorded a pre-tax loss of £73,000 in the four months to April 30 1985 compared with a profit of £71,500 in the six months to June 30 1984. Group sales were down to £788,000 (£1.78m). Losses a share were 2.5p, latest earnings of 0.35p. There is no interim dividend (the 1984 total was 0.1p).

MANLEY ESTATES' offer for Esoteric Ltd (1985) has become wholly unconditional. The offer will remain open for acceptance until further notice.

BOARD MEETINGS

The following companies have notified dates for their meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or final and the subdivisions shown below are based mainly on last year's timetable.

Company	Date
Interim: Boddingtons Breweries, Camellia Investments, Energy Recovery Investment, Fisons Industries, Farnham Inc, SCUSA, Thomson Organisation, Unilever, Northern Industrial Improvement Trust, Michael Peters	
FUTURE DATES	
Interim: Hunting Petroleum Services	Oct 8
Newbold and Burton	Oct 25
Randall (United)	Sept 22
Silkestone Laboratories	Oct 8
Sunlight Insurance	Oct 8
T & S Stores	Sept 30
Young and Co's Brewery	Nov 15
City of Aberdeen Land Assoc	Sept 24
FIL	Sept 30
Highland Distillers	Oct 21
Precious Metals Trust	Oct 22
Refine Industries	Sept 25

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UK COMPANY NEWS

Pound's strength trims Brown Boveri recovery

THE CONTINUING improvement by Brown Boveri (Holdings) was limited in the first half of 1985 by the strength of the pound. Taxable profits improved by 6 per cent but the company says the rise would have been 14 per cent if the rates had been constant at the level of the end of 1984.

On turnover up by 4 per cent from £24.53m to £25.25m pre-tax profits were £3.51m against £3.31m. From earnings per share of 3.3p (3.3p) an unchanged interim dividend of 1p is being paid by this industrial process control and measurement group.

Last year there was a total payment of 2.5p from pre-tax profits of £7.50m.

Mr E. Bielinski, chairman, says that the rising pound mainly affected the profits in Australia, Italy and South Africa. All three produced results in their own currencies similar to the first half of 1984.

He adds that orders continued to progress at a satisfactory level and the current order book is substantially higher than the same time last year, with

reasonably good distribution throughout the group. Sales were below expectations mainly because of currency translation but also because of the phasing of some major contracts.

Market penetration in the U.S. continued to develop in the period and improved manufacturing efficiency largely offset the effects of the pound.

The operating surplus came out at £5.41m (£5.98m) and the pre-tax figure was struck after depreciation charges of £1.57m (£1.49m) and net interest payments of £1.33m, up from £1.18m.

With taxation little changed at £1.20m (£1.20m) and minorities taking an unchanged £114,000 net profit came out at £2.11m, against last year's £1.9m. Ordinary dividend absorbed a same again £581,000, leaving the balance taken to reserves at £1.46m, a rise of £204,000 on the comparable half year.

Mr Bielinski says that as further steps are taken to improve productivity, coupled with the continuing programme of introducing new products, he is confident that the group will make

further improvements in its performance in the second half. The group, based in Luton is 54.5 per cent owned by BBC Brown Boveri of Switzerland.

Comment

Perhaps BBK has deliberately taken a pessimistic line on foreign exchange rate to achieve its 6 per cent increase in sterling pre-tax profits. That would fit in with the market's earlier expectations of 54m for the half year but for the group's own admission that the advance in local currencies was only 14 per cent — which seems a particularly poor showing. In fact given the performance of the Australian dollar, South African rand etc it is difficult to see how the difference is only 6 per cent.

Anyway the result lags well behind that of Eurotherm — there is a product overlap of around 40 per cent — and if the best BBK can achieve is 59m pre-tax this year then it is easy to see why Eurotherm's p/e stands on a few points premium.

At 90p BBK's prospective multiple is 10x, which looks high enough.

Cost control helps Wm Morrison to rise 52%

Wm Morrison Supermarkets has achieved a 52 per cent increase in pre-tax profits in the half-year to August 3, 1985, making £7.19m, against £4.72m in the comparable 27 weeks.

The directors of this Bradford-based group are lifting the interim dividend to 0.25p against an adjusted 0.25p. Total dividends in 1984-85 amounted to an adjusted 1.6, on profits of £11.73m.

Stated earnings per 10p share this time are ahead at 4.16p (2.85p), after tax of £3.34m (£2.27m).

Stringent control of labour and overhead costs and a much reduced level of new store costs has led to a greatly improved operating margin — up from 3.12 per cent to 3.26 per cent, the directors state.

The developments at Killingworth, near Newcastle, and at Rotherham are nearing completion and new supermarkets will open on October 22 and 29 respectively.

The board is aware of the advantages afforded by new technology and consequently will open both with the latest electronic point-of-sale scanning equipment.

In-store bakeries, similar to those operated successfully at Kelghley and Darvall, and shortly to be introduced at Grantham, will also be a feature of these new stores.

The Killingworth store will also have a petrol filling station and at Rotherham there will be a garden centre, which is a new venture for the group.

In addition construction work at supermarkets in Blackburn and Dukinfield will commence shortly and both will be open within 18 months. They say that details of a further four sites will be released shortly confirming the group's commitment to continued expansion.

On turnover up from £182.83m to £217.45m, raw materials and consumables charges were higher at £143.63m (£137.66m), but staff costs were little changed at £12.77m (£12.06m), while other operating charges reached £6.44m (£5.59m).

From an operating profit of £7.39m (£5.06m) the pre-tax result was struck after the deduction of other income of £78,000 (£2,000), and lower interest payments of £271,000 (£355,000).

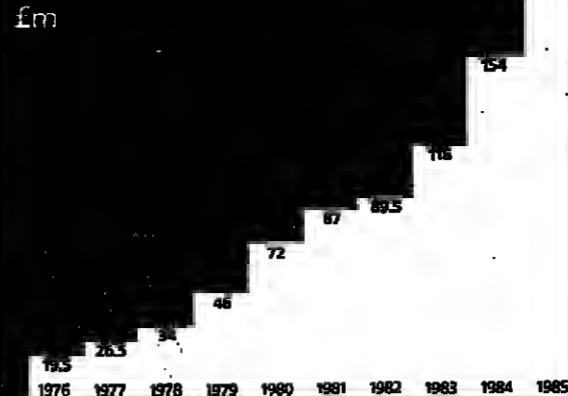
Comment

Wm Morrison, in spite of a good first half, is looking just a little nervous about the rest of the year. The good results were underpinned by a rise in the operating margin by more than a full point to 4.26 per cent of sales.

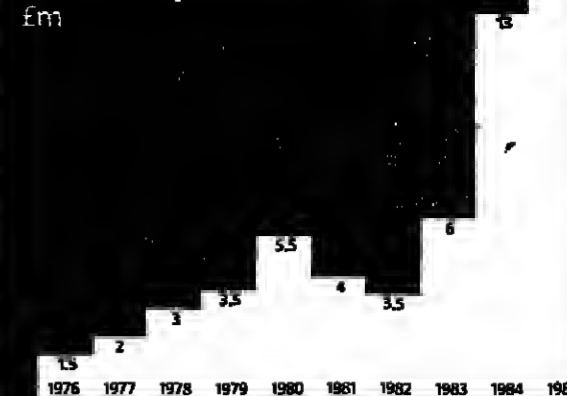
In the second half almost two-thirds of the supermarket group's capital spending is due (£12m of the £17.2m) to the new sites (£17.2m); there will be two outings, adding 80,000 sq ft to the existing 800,000 sq ft. These will add to costs and make it hard to hit the margin.

What could really undo the smooth progress, however, is an Asda promotional campaign rumoured to be starting in about three weeks. In the past Morrison's shares have proved to be fairly volatile and their current rating may have them at full stretch. For on an expected £15.2m profit for the year the shares at 164p up 8p are on a prospective multiple of 18x with a 46 per cent tax change. The downside risk appears high, especially if profit taking is followed by a major Asda onslaught.

Sales 1976-85



Pre-tax profit 1976-85



CONTINUING GROWTH FOR UNITECH

Report on 1984-85

Sales in the year ended 1st June 1985 exceeded £200 million for the first time.

Profit before tax increased by 15% to £15.0 million.

Dividend A total dividend of 5.635p per share is recommended, an increase of 15%.

Our prospects

Orders and sales for the first two months of the current year are ahead of last year. However, although the electronics industry has strong growth characteristics in the long term, it is subject to significant cyclical movement, and currently the supply of electronic components is in surplus. Compared with the rapid expansion in the last two years we would expect at best only moderate growth this year. To date the cycle has largely followed the pattern of previous cycles and the Group is now well placed to participate fully in the expansion phase when it returns.

Peter Curry, Chairman

If you would like a copy of the Annual Report please write to the Secretary, Unitech plc, Phoenix House, Station Hill, Reading RG1 1NP.

UNITECH
plc

A group of companies principally engaged in manufacturing and marketing electronic components and equipment.

Laidlaw up slightly at £394,000

Laidlaw Group, USM-quoted Ford main dealer, reported a slight increase in pre-tax profits from £386,000 to £394,000 in the first half of 1985, on a turnover 1.1m lower at £39.49m, reflecting a small drop in Ford's share of the market.

First quarter sales and profits had shown a substantial increase on the same period last year, but in the second quarter, the company says Ford launched a different form of sales incentive which was much less successful — both Ford market share and dealer profitability were reduced.

However, July and August have seen a very large market for company products and management figures indicate profits ahead of budget. This makes the company hopeful for a satisfactory second half year's trading.

The reorganisation at the company's large dealership at Strathclyde was completed early in the year and much improved profits are looked for in the next few months. All other dealerships and particularly the contract hire and leasing company performed acceptably.

The interim dividend is unchanged at 1.1p net and the board intends to recommend a final at least the same as last year's 1.4p. Stated half-year earnings per 10p share dropped from 4.5p to 2.5p.

After tax of £154,000, against £1,000, the net balance was down by £145,000 at £240,000. The interim absorbs £24,000 (same) leaving a retained surplus of £146,000 (£281,000).

JOVE INVESTMENT Trust had a net asset value of 51.1p (51.38p) per income share and 28.79p (28.67p) per capital share as at August 31, 1985. Gross revenue for the six months was £886,798 (£846,721) and the interim dividend is higher at 2.5p (2.31p) net.

Offer for sale values AMS Inds. at £28.5m

BY LUCY KELLAWAY

THE FULL prospectus for an offer for sale of shares in AMS Industries is published today.

Barclays Merchant Bank is offering 7.5m shares at 65p, representing 25 per cent of the company, which is valued at the offer price at £28.5m. Eighty per cent of the shares being sold are at present owned by the company's founders, 33-year-old Mr Mark Crabtree and 32-year-old Mr Stuart Neilson.

Following the flotation, they will each own 37.5 per cent of the shares. The remaining 20 per cent will raise £797,000 in new money for the company after expenses of £317,000.

Last July AMS had been poised to come to market, when the issue was pulled at the last minute as the equity market turned sour. While conditions are now judged to have improved sufficiently, the issue price is lower than that envisaged first time around.

AMS designs and manufactures digital sound processing equipment to the professional audio and broadcast industries. The company also makes powerful full head held computers, which last year accounted for about 16 per cent of turnover.

The company was founded in 1976 when the first audio sound processor was developed. Since then it has built up a range of sound processors, which sell for an average £5,000 each.

The equipment converts an audio signal into computer language in which form it is manipulated and enhanced, before being translated back into an audio sound. Thus the processors can make one voice sound like several, change the speed, pitch or tone of a sound, and synthesize sound and vision for television.

Exports last year accounted for 50 per cent of turnover, and in 1984 and 1985 AMS won a Queen's Award for Export Achievement.

Profits have grown from less than £20,000 in 1980 and 1981 to £1.9m in the year to November 1984 on a turnover of £3.5m. In the current year profits are forecast to be not less than £3m on sales of £5m.

Based upon the forecast, the shares are being offered on a prospective price-earnings ratio of 15x after a tax rate of 41 per cent. The yield is forecast at 1.8 per cent.

The applications list will open on September 26, and dealings are expected to start on October 4.

Comment

Putting a price on a company like AMS is no easy matter. Not only are there no quoted companies to compare it to, it is so young that the track record is of limited use in determining further growth potential.

To make matters worse, the whole digital audio industry is in its infancy, and although all are agreed that digital is a rapidly growing area, it is anyone's guess whether AMS will be able to perpetuate the strong start it has made in the market. In its favour is the high quality of its products, which have earned it an excellent reputation with its customers, and the emphasis it places on innovation. Because it supplies a highly specialised professional market it is protected to some extent from competition from the U.S. and Japanese giants.

For the time being its customers do not appear to be price sensitive, but to conclude that margins of 60 per cent can be sustained indefinitely would be dangerous. But if all goes according to plan, AMS's young founders may well live regret selling their shares so cheaply.

British TELECOM

FIRST QUARTER RESULTS 30 JUNE 1985

	1985	1984
Turnover	£2,005m	£1,812m
Operating profit	£512m	£453m
Profit before taxation	£443m	£319m
Profit attributable to ordinary shareholders	£245m	£204m
Earnings per ordinary share	4.1p	3.4p

■ Turnover up 11%

■ Profit before taxation up 27%*

■ Earnings per ordinary share up 17%*

■ Outlook for year remains favourable

*After adjusting for changes in capital structure in 1984



The unaudited figures above are extracts from the interim report, a copy of which may be obtained by telephoning 0345 010707 (local call charge only within UK) or Bristol (0272) 276153, or writing to Investor Relations Office, British Telecom Centre, 81 Newgate St, London EC1A 7AL. For daily information on the British Telecom share price, dial Shareline on one of the numbers given below. London 01-246 8022 Birmingham 021-246 8056 Edinburgh 031-447 0333 Glasgow 041-248 4400 Liverpool 051-488 0797 Manchester 061-248 8050 Belfast 02323 8030 Bristol (0272) 215444 Cardiff (0222) 8037 Leeds (0532) 8038

Chairman's statement

Hartbeeston Gold Mining Company Limited

An Anglovaal Group Company
Incorporated in the Republic of South Africa
Reg. No. 1972/0001

Future earnings mainly dependent on exchange rates; low-grade gold recovery plant planned — Mr Basil E. Herscov

A 15.8 per cent increase in the average gold price received during the year, together with substantially higher non-mining income and uranium profits, more than offset marginally lower gold production and higher operating costs. As a result, after tax profit increased by 24 per cent to R335.5 million from R270.5 million. Taxation, however, increased by 47 per cent to R212.5 million from R144.6 million. After taking into account a loan levy refund of R6.4 million and capital expenditure and loan repayments of R35.1 million (1984 — R46.4 million), earnings amounted to R94.3 million (1984 — R82.7 million) equivalent to 84.2 cents per share (1984 — 73.8 cents per share). Dividends totalled 80 cents per share (1984 — 72.5 cents per share).

Despite an increase in mill throughput of 23 000 tons to 3 083 000 tons, gold production decreased from 30 510 kilograms in 1984 to 30 126 kilograms. Unit cost escalation was held to 9.44 per cent due to the changes outlined below and a decreased development rate.

Considerable effort continues to be directed towards maintaining the higher production level achieved in 1984 and effecting economies in operating costs. In line with this policy it was decided to concentrate stoping operations as far as practicable and also to rationalise shaft utilisation. Accordingly, No. 6 shaft, together with part of the production area which it served, was put onto a care and maintenance basis and the production tempo at Nos. 5 and 6 shafts was increased. A higher development rate will be required to maintain the increased production levels necessary to replace the stoped faces at No. 6 shaft and to support the higher level of exploratory development work, particularly in the area to the south-west of No. 8 shaft. One of the effects of concentration is to reduce grade flexibility with resultant fluctuations in grade. This occurred in the past year and the recovery grade decreased from 9.9 grams a ton in 1984 to 9.76 grams a ton.

Capital expenditure during the year of R33.1 million (1984 — R44.9 million) was incurred mainly on high-priority items such as the sinking and equipping of No. 8 north shaft, employee accommodation, ventilation, electrical plant and equipment, and the surface railway system. Work commenced on the sinking and equipping of No. 8 north shaft in February 1985. This shaft should be commissioned early in 1986 at a total cost of some R92 million. During this financial year capital expenditure, currently estimated at about R30 million, will continue to be restricted to high-priority items. Expenditure during each of the following two financial years will be substantially higher following a decision in principle to proceed with the establishment of an additional gold recovery plant. When commissioned the plant will treat low-grade ore from surface accumulations, waste-washing plants and sorting operations. It will also enable the exploration, mining and treatment of in situ low-grade ore sources to be pursued. The plant will have a design capacity of approximately 120 000 tons per month and will cost approximately R135 million in July 1985 terms. Various methods of financing this expenditure are under consideration.

During the latter part of 1984 the mine entered into a Recognition Agreement with the National Union of Mineworkers in respect of category 5 to 8 surface workers and all monthly-paid Black staff (6.2 per cent of the total labour force). It is only in these categories that the union has significant representation. A brief illegal strike by certain Black employees occurred during September 1984, the workers alleging that management was deliberately delaying the recognition of the National Union of Mineworkers. Employees returned to work after two days. At the end of April 1985, following a three-month period of unsettled labour relations, an illegal strike occurred and 2 981 employees were dismissed. The strike had been preceded by boycotts of canteens and liquor outlets and disruptions of normal working procedures which threatened the maintenance of discipline on the mine. The Company subsequently agreed with the National Union of Mineworkers to employ on a preferential basis those who had been dismissed as and when vacancies occurred and if applicants met the employment criteria for such vacancies.

There is an acute shortage of skilled manpower in the country and in the industry. In terms of the Mines and Works Act, Blacks and Asians are ineligible to occupy certain skilled and supervisory positions in the production, engineering and other technical service processes. It is against this background that the industry has been striving to change the definition of a "scheduled person" by the removal of racial discrimination from the definition, thereby permitting the advancement of Black and Asian employees into skilled occupations and management. The Company is committed to resolving this issue through negotiations at industry level.

Grade, and thus gold production, will continue to fluctuate as a result of the concentration of mining; however, the average grade for the current year should approximate that of last year. In the longer term, the average grade is expected to trend downwards with minor variations from year-to-year. Despite continuing efforts to effect economies, working costs will inevitably continue to rise following wage increases granted in the industry and as a result of the increasing rate of exploratory development and of general cost escalation. However, the value of the rand against the U.S. dollar remains the principal factor that will influence eventual earnings and hence dividends.

Basil Herscov
Basil E. Herscov D.M.S.
Chairman

3 September 1985

The annual general meeting of members will be held in Anglovaal House, 56 Main Street, Johannesburg at 11h00 on Tuesday, 15 October 1985.

FT 5080



CAIXA GERAL DE DEPÓSITOS

PORTUGAL

ACTIVITY OF THE CAIXA GERAL DE DEPÓSITOS

In 1984, as in previous years, the effects of restrictive monetary measures continued to be felt, though there were some signs of abatement in the second half of the year.

The Advisory of the Ministry of Finance and the Plan, of 20th June, laid down the following alterations to the policy as regards interest rates and obligatory reserves:

- Fixing of the maximum interest rate for term deposits of 181 days to one year at 25%.
- Permission for banks to establish their own interest rates for sight deposits, notice deposits and other term deposits.
- Reduction of 1% in the interest rates for credit operations for periods of up to one year.
- Reduction of the obligatory average liquidity ratios to 12%, 8% and 6% for deposits of up to 180 days, 181 days to one year and terms of more than one year, respectively.

The non-consolidated liquid assets of the CGD at the end of 1984 totalled about 932 million contos, thus showing an increase of 191.5 million contos, or +25.9%.

On the same date deposits amounted to 721.7 million contos, representing a growth of 183.2 million (+25.5%) in relation to 1983, a figure that must be regarded as considerable, even taking account of inflation.

Credit granted, in terms of outstanding balances, as at 31st December reached a total of 557.9 million contos, which was an advance of 115.9 million, or 26.2%, which was higher than the increase of 21.8% attained in 1983.

During the course of the year, 25 new agencies were opened, bringing the number of the Caixa's own dependencies at the service of clients all over the country, up to 325.

* Contos = 1,000 Escudos

DEPOSITS

Last year the deposits portfolio stood at 721.7 million contos, representing a progress of 34% in relation to 1983 and the highest since 1976 (+35.8%). In absolute terms, this increase amounted to 183.2 million contos, of particular note being term and savings deposits, whose expansion corresponded to a rate of 37.4%, to the amount of 145.8 million contos. This figure accounted for 79.6% of the total growth of deposits and denoted an intensification of the weight of term deposits in the deposits portfolio of the CGD, with a consequent aggravation of the costs of liabilities operations.

DEPOSITS AS AT 31.12.84			
Thousands of contos and percentages			
	Balance	Growth in relation to 31.12.83	
Sight deposits	101,553	21,839	+21.5%
Obligatory deposits	82,705	15,593	+18.9%
Term deposits	537,491	145,816	+37.4%
Total	721,749	183,248	+25.5%

Among the term deposits, those for "up to one year" continued to register greater progress, and in 1984 they increased by 52.8% (+69.7 million contos), a growth that was similar to that of the previous year and accounted for about half of the overall increase of these resources.

This shows an increasing preference for the shorter term deposits, anticipated mobilization of which involves less loss than those of longer terms.

The number of deposit accounts in the Caixa Geral de Depósitos at the end of the year was nearly 8 million, with an increase of 815 thousand, 75% of which were term deposits.

ASSETS OPERATIONS

(Thousands of contos)

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CREDIT OPERATIONS

Assets operations of the CGD in 1984 rose to the noteworthy figure of 770 million contos, with an advance for the year of 191.2 million, or +24.8%. "Loans" increased by 115.9 million contos, as against 79.1 million in 1983, thus representing a rate of growth of 26.2%.

"Applications in national credit institutions" registered a considerable increase in 1984, owing to intensified operations by the Caixa as a supplier of funds on the interbank market, in particular the Interbank Securities Market, this being largely due to reduction of the obligatory minimum liquidity ratios. The balance of these applications, which is residual, in 1983 represented only 3.2% of the total assets operations, but in 1984 rose to 10%.

For direct development of economic activity, financing operations were contracted last year in the amount of 198.3 million contos, representing an increase of about 20 million over 1983. The modest rate of this growth (+11.2%) was due both to the economic and financial policy measures that were implemented as regards the degree of indebtedness of the administrative and entrepreneurial public sector, which resort mainly to the Caixa, and also to the generalized fall-off in investment, thus leading to a considerable reduction in the demand for financial resources.

By sectors, it was "Agriculture and fisheries" and "Mining and extractive industries" that showed the most marked slowing down in terms of expansion of new operations, while credit for purchase of self-owned housing, with 32.7 million contos of new operations, practically regained its 1982 level, after an accumulated reduction in 1983.

CREDIT GRANTED AS AT 31.12.84

Thousands of contos and percentages			
	Balance	Growth in relation to 31.12.83	
Real estate credit	231,775	41,883	+18.0%
Credit to Industry and Exports (b)	201,320	51,427	+25.5%
Credit to General and Local Government	51,474	4,790	+9.3%
Credit to Public Services Corporations	40,865	8,887	+21.7%
Credit to Agriculture and Fisheries	20,430	2,128	+10.4%
Other Operations	11,138	5,197	+46.6%
Total	557,962	115,915	+20.8%

(a) Before deduction of provisions
(b) Includes credit to Public Corporations

RESULTS

Profits for the year were 8.2 million contos, which was a slight improvement over 1983 (+128,000 contos). The difference between the rates of growth for costs and earnings, however, went down from 7% to 3.9%, this being largely due to the increased earnings from larger applications of resources on the interbank market, mainly in the second half of the year.

On the costs side, the increase was 51.9%, of importance being the cost of liabilities operations, mainly consisting of interest paid to depositors, which accounted for 37.2% of the overall costs of the "Operation Account".

Earnings rose to 156 million contos, which was 48.1% higher than the previous year and shows that in spite of difficulties there was a considerable improvement in the rate of progress (+43.9%) in 1983. The net worth, before deduction of the State's participation in the year's profits, stood at 64.1 million contos, or 20.6% higher than in 1983, of note being the increase in reserves by 9 million contos.

BREAKDOWN OF ASSETS OPERATIONS

(Thousands of contos)

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UK COMPANY NEWS

Staffs. Potteries down 8% to £1m as margins fall

Staffordshire Potteries (Holdings), a manufacturer of ceramic tableware, housewares and giftware, based in Stoke-on-Trent, recorded pre-tax profits down 8 per cent to £1.02m in the year to June 30 against £1.11m last time.

Mr Bill Bowers, chairman, blames the shortfall on capacity restraints at the Mair Park division, now overcome by additional capital spending of £250,000, and higher interest rates.

In spite of the group reducing borrowings by £250,000, he says, interest charges rose by £49,000, reflecting an average annual interest rate 2.7 per cent higher than in the previous year.

Group sales, however, increased by 12.3 per cent to £23.18m (£23.55m), with rises in both home and export markets. The final dividend is 2p a share, making a total of 3p, against a single payment last year of 2p.

Mr Bowers says that the group has taken longer than hoped to recover from the recession, but its order book is beginning to reflect its policy of enhancing the perceived value of its products by innovation and good design.

The success of this policy will require continued emphasis on well-established, longer term programmes to improve our products and reduce quality related costs.

The board's overriding objective will continue to be reduced borrowing, he says. Operating profits were down marginally to £1.56m (£1.6m). Interest charges were £39,000 (£49,000) and tax took £310,000 (£317,000). There was an extraordinary credit of £30,000 (£200,000 debit), which represents a provision for closure no longer needed.

Earnings a share basic were 9.5p (14.8p) and fully-diluted 7.5p (11p).

In the Royal Winton division, margins have been under pressure, says Mr Bowers, mainly because of the complexity of some new product concepts, now overcome, and labour costs above budget because of seasonal demand.

Closer forward planning and co-operation with customers is now enabling the division to operate at optimum levels, he says.

Commenting on the outlook, Mr Bowers says that August now accounts for more than a fifth of annual new car registrations and once again proved an excellent month for the group—both in terms of profits and sales volume.

Because profitability is influenced so much by the intense level of competition for market share in car sales between the principal manufacturers, it is difficult to predict the outcome for the second half of the year.

Mr MacGregor says the company is in good shape, however, with the group's strong cash position providing a strong base for continuing expansion of existing activities.

"Longer term, we remain optimistic and believe the group is better placed than for some time to take advantage of further expansion opportunities."

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Long

Options, like all investments, involve risks and are not for everyone. For important information on the use and risks of options, call The Options Exchange for the options disclosure document.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

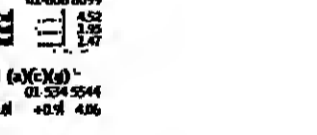
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Financial Times Friday 25th July 1991 Property Growth Assur. Co. Ltd. 01-490 0640

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6 Funded Life Fnd	0812	902.0	+0.4	60 Comm Sav, 10 Year	0813	11.4	0.34
7 Funded Life Fnd	0813	902.0	+0.4	70 Comm Sav, 10 Year	0814	11.4	0.34
8 Funded Life Fnd	0814	902.0	+0.4	80 Comm Sav, 10 Year	0815	11.4	0.34
9 Funded Life Fnd	0815	902.0	+0.4	90 Comm Sav, 10 Year	0816	11.4	0.34
10 Funded Life Fnd	0816	902.0	+0.4	100 Comm Sav, 10 Year	0817	11.4	0.34
11 Funded Life Fnd	0817	902.0	+0.4	110 Comm Sav, 10 Year	0818	11.4	0.34
12 Funded Life Fnd	0818	902.0	+0.4	120 Comm Sav, 10 Year	0819	11.4	0.34
13 Funded Life Fnd	0819	902.0	+0.4	130 Comm Sav, 10 Year	0820	11.4	0.34
14 Funded Life Fnd	0820	902.0	+0.4	140 Comm Sav, 10 Year	0821	11.4	0.34
15 Funded Life Fnd	0821	902.0	+0.4	150 Comm Sav, 10 Year	0822	11.4	0.34
16 Funded Life Fnd	0822	902.0	+0.4	160 Comm Sav, 10 Year	0823	11.4	0.34
17 Funded Life Fnd	0823	902.0	+0.4	170 Comm Sav, 10 Year	0824	11.4	0.34
18 Funded Life Fnd	0824	902.0	+0.4	180 Comm Sav, 10 Year	0825	11.4	0.34
19 Funded Life Fnd	0825	902.0	+0.4	190 Comm Sav, 10 Year	0826	11.4	0.34
20 Funded Life Fnd	0826	902.0	+0.4	200 Comm Sav, 10 Year	0827	11.4	0.34
21 Funded Life Fnd	0827	902.0	+0.4	210 Comm Sav, 10 Year	0828	11.4	0.34
22 Funded Life Fnd	0828	902.0	+0.4	220 Comm Sav, 10 Year	0829	11.4	0.34
23 Funded Life Fnd	0829	902.0	+0.4	230 Comm Sav, 10 Year	0830	11.4	0.34
24 Funded Life Fnd	0830	902.0	+0.4	240 Comm Sav, 10 Year	0831	11.4	0.34
25 Funded Life Fnd	0831	902.0	+0.4	250 Comm Sav, 10 Year	0832	11.4	0.34
26 Funded Life Fnd	0832	902.0	+0.4	260 Comm Sav, 10 Year	0833	11.4	0.34
27 Funded Life Fnd	0833	902.0	+0.4	270 Comm Sav, 10 Year	0834	11.4	0.34
28 Funded Life Fnd	0834	902.0	+0.4	280 Comm Sav, 10 Year	0835	11.4	0.34
29 Funded Life Fnd	0835	902.0	+0.4	290 Comm Sav, 10 Year	0836	11.4	0.34
30 Funded Life Fnd	0836	902.0	+0.4	300 Comm Sav, 10 Year	0837	11.4	0.34
31 Funded Life Fnd	0837	902.0	+0.4	310 Comm Sav, 10 Year	0838	11.4	0.34
32 Funded Life Fnd	0838	902.0	+0.4	320 Comm Sav, 10 Year	0839	11.4	0.34
33 Funded Life Fnd	0839	902.0	+0.4	330 Comm Sav, 10 Year	0840	11.4	0.34
34 Funded Life Fnd	0840	902.0	+0.4	340 Comm Sav, 10 Year	0841	11.4	0.34
35 Funded Life Fnd	0841	902.0	+0.4	350 Comm Sav, 10 Year	0842	11.4	0.34
36 Funded Life Fnd	0842	902.0	+0.4	360 Comm Sav, 10 Year	0843	11.4	0.34
37 Funded Life Fnd	0843	902.0	+0.4	370 Comm Sav, 10 Year	0844	11.4	0.34
38 Funded Life Fnd	0844	902.0	+0.4	380 Comm Sav, 10 Year	0845	11.4	0.34
39 Funded Life Fnd	0845	902.0	+0.4	390 Comm Sav, 10 Year	0846	11.4	0.34
40 Funded Life Fnd	0846	902.0	+0.4	400 Comm Sav, 10 Year	0847	11.4	0.34
41 Funded Life Fnd	0847	902.0	+0.4	410 Comm Sav, 10 Year	0848	11.4	0.34
42 Funded Life Fnd	0848	902.0	+0.4	420 Comm Sav, 10 Year	0849	11.4	0.34
43 Funded Life Fnd	0849	902.0	+0.4	430 Comm Sav, 10 Year	0850	11.4	0.34
44 Funded Life Fnd	0850	902.0	+0.4	440 Comm Sav, 10 Year	0851	11.4	0.34
45 Funded Life Fnd	0851	902.0	+0.4	450 Comm Sav, 10 Year	0852	11.4	0.34
46 Funded Life Fnd	0852	902.0	+0.4	460 Comm Sav, 10 Year	0853	11.4	0.34
47 Funded Life Fnd	0853	902.0	+0.4	470 Comm Sav, 10 Year	0854	11.4	0.34

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80 Victims de Desast. Luch. World Relief Soc.	11.0	0.21	0.50
80 W. W. ELPOR, 100 Ave. USA, 734.70.	11.0	0.21	0.50
Seven Arrows Fund NW			
82 Berkeley, Calif. Carbochemical Analtes	11.0	0.21	0.50
NW 133	154C.00		
Singer & Friedlander L.L. Agents.			
82 New St. Bloomington IL 61709	0.433	30.00	
82 New St. Bloomington IL 61709	2.90		
Shandfield International Ltd			
P.O. Box 46, Keweenaw, C1. 0461 27211.			
82 New York, N.Y. 10022	1.00		
International Assoc.	10.63		
Societe Generale Merchant Bank plc			
80 Greenwich St. London EC2R 5DA	0.10	43.22	
Fr. French Marine Sec. JPM 11/03/27/87 NW			
Standard Bank Fund Managers			
70 Abchurch Lane, London EC4N 3DF			
Bank of Scotland			
38 Threadneedle St. EC2P 2HH	8.22	12.18	
Bancards Prime Account			
PO Box 125, Northampton	0.004	25.00	
High Inc. Clerks 11.11.82	1.25	12.33	
Bryantson Investment Services Ltd.			
100 Victoria Embankment, London WC2R 2PH	0.10	50.28	
Call Rates	11.11	1.35	21.24
Charterhouse Impact plc			
Charterhouse Row, London EC3N 3DF	0.10	38.34	
82 New York, N.Y. 10022	11.13	23.34	
U.S. Bank	11.13	23.34	
82 New York, N.Y. 10022	11.13	23.34	
Swiss Bank	11.13	23.34	
82 New York, N.Y. 10022	11.13	23.34	
82 New York, N.Y. 10022	11.13	23.34	

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Japan	10,877.12	81.50	+4.03						
U.S.	10,877.12	43.00							
U.S. Trust Services (Jury) Ltd.									
PO Box 174, St. Helier, Jersey	0534-72956								
Tel: 447	-1122 020	187.75							
PG Box 443, St. Helier, Jersey									
U.S. Trust Services Ltd.	0534 75341								
PO Box 174, St. Helier, Jersey	0534 72956								
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U.S. Trust Services Ltd.	0534 75341								

OPTIONS

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CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar stalls ahead of GNP

The dollar was confined to a narrow trading range yesterday in the absence of any incentive to take out fresh positions ahead of today's GNP figures. The U.S. third quarter GNP flash estimate is expected to show a rise of between 3 per cent and 3.5 per cent and has become such a focus point that other factors assumed a secondary level of importance. Economic statistics released included personal income, which was much in line with expectations and consumer spending which was a little below market forecasts. The latter may have accounted to some extent for the dollar's weaker trend in the afternoon. Early trading saw the U.S. unit retreat from opening levels as selling developed in London. The trend was reversed as U.S. centres came in as buyers before slipping away in the afternoon. The dollar closed at DM 2.9010 down from a high of DM 2.9240 and Wednesday's close of DM 2.9030. It was also weaker against the Swiss franc at Sfr 2.3830 from Sfr 2.3880 and £242.00 compared with £242.10. It was lower against the

French franc at FF 8.8450 from FF 8.86. On Bank of England figures, the dollar's exchange rate index was 141.1 from 140.6. **STERLING** — Trading ranges in the dollar in 1985 is 1.4250 to 1.0525. August average 1.3638. Exchange rate index 81.1 unchanged from Wednesday but up from a morning low of 80.7. The six months ago figure was 74.6. Sterling remained on the sidelines but recovered from the day's lows as the dollar retreated. It also showed further gains.

EMS EUROPEAN CURRENCY UNIT RATES

Currency	Unit	% change from 1984	% change from 1983	% change from 1982
Belgian Franc	44.8200	+0.38	+0.89	+1.5428
German Mark	1.7287	-0.74	-0.43	-1.4241
French Franc	2.2282	-0.44	-0.44	-1.4241
Italian Lira	5.8402	-0.72	-0.72	-1.4241
Dutch Guilder	2.2228	-0.89	-0.89	-1.4241
Spanish Ptas	7.2458	-1.18	-1.18	-1.4241
Irish Punt	1.5200	-1.58	-1.58	-1.4241

Change for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

The dollar finished slightly firmer against the D-mark at DM 2.9010 from DM 2.8987 but remained confined to a narrow range ahead of today's U.S. third quarter GNP flash estimate. U.S. economic data on personal income and consumption were a little below expectations but the dollar was underpinned as it approached DM 2.9050. Earlier in the day the dollar had been fixed at DM 2.9122 from DM 2.9085.

STERLING INDEX	Sept 19	Previous
3.30 am	80.8	80.8
9.30 am	80.8	80.8
10.30 am	80.8	80.8
11.00 am	80.8	80.8
Noon	81.0	80.8
1.00 pm	81.0	80.8
2.00 pm	81.0	80.8
3.00 pm	81.2	80.9
4.00 pm	81.1	81.1

£ IN NEW YORK

Sept 19	Prev. close
£ Spot	1.3388
1 month	1.3388
3 months	1.3388
6 months	1.3388
12 months	1.3388

Forward premiums and discounts apply to the U.S. dollar.

FINANCIAL FUTURES

Late recovery

Dollar denominated contracts finished around the day's highs on the London International Financial Futures Exchange yesterday, but were weaker, or little changed on the day. Expectations of a large rise in weekly U.S. M1 money supply, of up to \$40 billion, depressed Eurodollar and Treasury bond futures initially. Both contracts met with buying demand in the afternoon however, on profit taking. The market was nervous ahead of today's announcement of third quarter Gross National Product and the revised second quarter GNP figure, with traders reluctant to take out new positions. Yesterday's U.S. statistics were in line with expectations, with personal consumption rising by 1.2 per cent, boosted by high car sales due to dealer incentives, while personal income rose by 0.3 per cent. Third quarter GNP

is generally forecast to increase by 3.4 per cent, but dealers are reluctant to place too much reliance on flash estimates, and will also watch carefully the revision to second quarter growth. Gilts and short sterling contracts were dull, with December long gilt futures very steady throughout. Three-month sterling deposits for December closed at the day's high.

JAPANESE YEN	Y12.5m	5 per	Y100
Close	141.82	0.4182	0.4182
High	141.82	0.4182	0.4182
Low	141.82	0.4182	0.4182
Prev. day's open	141.82	0.4182	0.4182

JAPANESE YEN

Close High Low Prev

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"Recent Issues" and "Rights" Page 40.
(International Edition Page 40)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

MARKET REPORT

RECENT ISSUES

British Telecom's figures please

Argyll issued a statement saying that it intended to

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Is Same **Alliance AG** **LEISURE (3)**
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Pleasure

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CM, Rd, Pt.	Oct 7	Oct 18	Jan 2
	For extra indications see		

Jan 13
and of

FIXED INTEREST						AVERAGE GROSS REDEMPTION YIELDS		Thurs Sept 10	Wed Sept 18	Year end (approx.)
PRICE INDICES	Thurs Sept 10	Day's change %	Wed Sept 18	nd aft. today	nd aft. 1965 to date	1 British Government				
						1 Low 5 years	10.00	9.99	11.20	
						2 Coupons 15 years	10.25	10.22	10.62	
						3 Medium 25 years	10.50	10.25	10.62	
						4 High 15 years	10.50	10.50	10.76	
1 British Government						5 Coupons 15 years	10.50	10.56	10.63	
2 5 years	112.25	+0.03	113.29	—	8.22	6 High 25 years	10.25	10.22	10.35	
3 5-25 years	132.94	+0.01	133.00	—	9.65	7 Coupons 15 years	10.50	10.56	11.05	
4 Over 15 years	137.25	+0.03	137.19	—	9.82	8 High 25 years	10.25	10.21	10.39	
5 Irredeemables	150.82	—	150.82	—	9.26	9 Coupons 25 years	10.00	10.39	10.65	
6 All stocks	130.60	+0.02	130.62	—	9.90	10 Irredeemables	9.94	9.94	10.05	
7 Debentures & Loans	112.34	+0.14	112.18	—	7.82	11 Debts & 5 years	11.35	11.57	12.57	
						12 Loans 15 years	11.63	11.62	11.85	
						13 25 years	12.30	12.32	12.59	
7 Preference	80.68	—	80.67	—	5.21	14 Preference	12.15	12.15	13.54	
BRITISH GOVERNMENT INDEX-LINKED STOCKS										
8 All stocks	112.28	+0.49	131.77	—	2.46	15 Inflation rate 5%	3.52	3.55	3.80	
						16 10%	3.31	3.34	3.60	

*†At yield. Highs and lows record, base dates, values and constituent changes are published in Saturday listings. A list of constituents is made up by the Sellers. Financial Times, Barclay House, Cannon Street, London, EC4 6BY, price 15p, by post 20p.

	FL500	108	2.50	25	0.20	10	17.50	FL500
ABN F	FL500	70	5.50	24	1.5	18		FL500
ADN F	FL500	58	5.50	20	1.5	18		FL500
AEEN F	FL110.0	100	1.5	1,000	15			FL500
AN C	FL500	589	10.80	180	5	10	21	FL500
AN F	FL500	150	1.50	150	4.70	10		FL500
ANZO F	FL130.0	1,086	1.50	130	4.70	118	6.50	FL130.0
ANZO F	FL130.0	1,086	1.50	130	4.70	118	6.50	FL130.0
AMRO F	FL500	80	0.80	80	0.50	40	5.50	FL500
AMRO F	FL500	80	1.5	80	0.50	40	5.50	FL500
GIST C	FL500	188	21.70	57	20.20			FL500
GIST F	FL510	48	0.50			0	5	FL510
HEIN F	FL500	150	1.50	150	1.5	104	15.50	FL500
HEIN F	FL170	344	5.50	370	1.5			FL170
HOOG C	FL46	153	0.80	230	1.60			FL46
HOOG C	FL46	153	0.80	230	1.60			FL46
KLM C	FL500	836	1.40	838	2.50	99	5.40	FL500
KLM C	FL500	136	1.50	136	2.50	99	5.40	FL500
NED D	FL180	97	4.50	20	11	38	14.50	FL180
NED D	FL180	97	4.50	20	11	38	14.50	FL180
NATN F	FL75	397	1.50	10	1.50	200	5.50	FL75
NATN F	FL75	72	1.20	20	2.50			FL75
PHIL C	FL500	289	1.50	285	2.10	150	4.50	FL500
PHIL C	FL500	289	1.50	285	2.10	150	4.50	FL500
RD C	FL500	831	0.60	125	0.50	14	10.50	FL500
RD C	FL500	831	0.60	125	0.50	14	10.50	FL500
ROBE H	FL75.50	58	0.50	58	0.50	10	2.70	FL75.50
UNIL C	FL500	188	1	28	5.70	0		FL500
UNIL F	FL500	188	1	28	5.70	0		FL500
TOTAL VOLUME IN CONTRACTS			33,086					

[illegible][illegible]

Underlying	Strike	Delta	Gamma	Vega	Rho	Theta
420	7	20	25	25	25	25

*Underlying security price.

Prices at 3pm, September 19

Continued on Page 4

[illegible][illegible]

